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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Hidden persuaders behind Opec compromise, Page 3

World news

Irish hold Ulster MP after incursion

A leading Northern Ireland politician was arrested after several hundred Protestants, many wearing masks and paramilitary uniforms, attacked a police station just inside the Irish Republic.

Peter Robinson, a British MP and deputy leader of Ian Paisley's Democratic Unionist Party, was detained under Ireland's anti-terrorism law. Two Irish policemen were knocked to the ground and beaten in the attack.

London and Dublin condemned the cross-border incursion, apparently intended to demonstrate the weakness of security along the frontier, as a stunt which diverted police from anti-terrorist activity. Page 10; Editorial comment, Page 8

Iraqi air raids

Iraq said its jets bombed an oil refinery and two thermal power stations at Isfahan, central Iran, and the main oil export terminal on Kharg island. The raids followed Iranian shelling of the border town of Halabja in which Baghdad said 74 civilians were killed. Page 3

In Alexandria, Jordan's King Hussein and Egyptian President Hosni Mubarak urged Arab states to back Iraqi President Saddam Hussein's call for an end to the Gulf war.

Basque clashes

Dozens of people were injured in Vitoria, northern Spain, in street battles between police and demonstrators protesting against France's expulsion of suspected Basque guerrillas. Spanish intelligence experts meanwhile dismissed as a forgery a letter purporting to come from the separatist organisation Eta which threatened attacks against EEC citizens.

Call for tax repeal

The French Government must repeal a tax on domestic oil and gas production if it wants to maintain the credibility of its economic policies, according to the chairman of Esso SAF, the Exxon subsidiary. Page 2

Libya to appeal

Libya will seek to overturn a court decision to freeze L7bn ($4.9m) of Libyan government funds deposited in Italy and sequestrated at the request of two Italian companies for alleged non-payment of debts.

Trade chief sacked

The head of Moscow's internal trade system has been sacked for failing to stamp out corruption. In Moldavia, a district judge and two police chiefs were sentenced to unspecified jail terms for taking bribes.

CIA agent flees

A former CIA officer has fled to Moscow and been granted asylum, Tass newsagency reported.

Indian train crash

At least 52 people were killed in a train collision near Dhanbad, northern India. Rescue workers battled heavy rains and flood waters to free at least 150 passengers trapped in the wreckage in a ravine. In northern Bangladesh, monsoon floods killed 26 people and made at least 10,000 families homeless.

Briefly . . .

Spanish court cut from $2.2m to $220,000 the bail for former tycoon Jose Maria Ruiz Mateos, who is awaiting trial on accounting fraud charges.

Venetian gondoliers should stick to local songs and shun Neapolitan tunes like O Sole Mio and Funiculi Funicula, the city's tourism chief said.

Two Soviet high-wire performers defected to the US during a Moscow Circus tour of Argentina.

Business summary

Shell net income falls to £545m

ROYAL Dutch/Shell released an unexpectedly strong set of second quarter figures, showing a modest 18 per cent decline in net income to £545m ($801m) Page 10

BARCLAYS, UK banking group, announced pre-tax profits growing at a substantially slower pace than those of its three big rival commercial banks. At £434m ($642m) in the year ending June 30, they were up 8 per cent on 1985. Page 10

DOLLAR closed in New York at DM 2.0715, SFr 1.6705, FFr 6.7255 and Y154.075. It fell in London to DM 2.0670 (DM 2.0815); SFr 1.6660 (SFr 1.6770); FFr 6.71 (FFr 6.7650), and Y153.75 (Y154.35). On Bank of England figures the dollar's index fell to 110.7 from 110.0 from 110.0. Page 21

STERLING closed in New York at $1.470. It fell in London to $1.4765 ($1.4795); DM 3.0525 (DM 3.0800); FFr 9.9075 (FFr 10.0100); SFr 2.4600 (SFr 2.4800), and Y227.00 (Y228.25). The pound's exchange rate index fell 0.4 to 70.9. Page 21

GOLD rose $1.5 to $362.50 on the London bullion market. It fell in Zurich to $361.75 from $362.55. In New York the December Comex settlement was $369.30. Page 20

WALL STREET: The Dow Jones industrial average closed 6.75 up at 1,786.28. Page 28

TOKYO: Issues rose following strong demand for Nippon Telegraph stock. The Nikkei average rose 66.88 at 17,422.36. Page 28

LONDON: Equities fell further on poor company results. The FT Ordinary share index lost 12.2 to 1,221.5, while the FT-SE 100 share index dropped 10.5 to 1,529.9. Gilts ended lower. Page 28

HONG KONG'S Hang Seng shares index rose 32.35 to a record 1,920.18 – surpassing the 1,906.28 reached on Monday – in response to the US House of Representatives' defeat of protectionist trade measures. The rally was fuelled by hopes of a domestic interest rate cut. Page 28

SWEDEN has threatened Denmark that it will buy natural gas from Norway or the Soviet Union if Danish prices are not cut by 20 per cent. Page 2

NORWEGIAN current account plunged to NKr 8.5bn ($1.1bn) deficit in first four months of this year against NKr 14bn surplus in January-April 1985.

ARGENTINE prices jumped by 6.8 per cent in July, the largest rise since Buenos Aires launched a tough anti-inflation plan in June 1985. Page 4

POLAND warned that it might cut imports from the West if Western creditors failed to provide fresh loans at non-discriminatory interest rates. Page 2

WESTDEUTSCHE Landesbank, West Germany's largest public sector bank, is reorganising its investment banking and foreign trade financing operations as part of a move to strengthen its business worldwide. Page 10

HALLIBURTON, Dallas-based oil services firm, suffered heavy write-downs of property, plant and inventories prompted by the continuing slump in the oil industry, driving it into a net loss of $524.6m or $4.94 a share for the second quarter. Page 11

BOC Group which raised taxable profits by £11.1m to £135.2m ($200m) for the nine months to June, is to write off £128m against the assets of its US graphite electrodes business. Page 14; Lex, Page 10

TI Group's share price fell 32p to 464p as the London stock market registered disappointment with a 44 per cent rise in the UK cycles and engineering concern's first-half profits. Page 14; Lex, Page 10

South Africans say sanctions could widen debt freeze

BY BERNARD SIMON IN JOHANNESBURG

SOUTH AFRICAN Cabinet ministers and businessmen are warning that far-reaching economic curbs, including tighter import controls and further restrictions on foreign debt repayments, are likely to follow the looming imposition of sanctions against some of the country's key exports.

Reflecting a new sense of urgency in South Africa since the Commonwealth decision earlier this week to ban imports of South African coal, steel and other products, Mr Barend du Plessis, the Finance Minister, said: "Should sanctions be implemented on any substantial scale, we shall obviously have to react."

He said that Pretoria would "be forced into introducing protective measures that will enable us to balance our trade account and overall balance of payments with the rest of the world."

Mr du Plessis said that the low level of foreign exchange reserves and the heavy burden of foreign debt repayments left little room for any large reduction in export earnings.

South Africa's current account surplus is expected to total $2.5bn this year, most of which is earmarked for debt repayments.

Mr du Plessis said that "any erosion of the current account surplus because of sanctions will reduce the country's capacity to service its foreign debt, and this will have to be taken into account in future negotiations with creditors for any further redemption of capital."

Chief Gatsha Buthelezi, leader of the Zulu-backed Inkatha movement, yesterday said that the state of emergency in South Africa might continue indefinitely. "The failure of the National Party Government to recognise that blacks cannot be governed against their will has led to a situation in which a semblance of stability can be maintained only under a state of emergency," Buthelezi told a Johannesburg meeting.

Among the options available to the Government – and one being urged by some local economists – is a widening of foreign liabilities included in the debt repayment moratorium declared last September. About $14bn of South Africa's $24bn in foreign debt is included at present.

South Africa and its 30 creditor banks are due to meet in the first half of next year to review the economy and decide on the next steps in sorting out the country's foreign debt problems. An interim arrangement agreed last March is due to run to mid-1987.

The debt standstill was imposed after foreign, mainly US, banks began calling in their loans after the declaration of a state of emergency just over a year ago and intensifying pressures on banks to sever their ties with South Africa.

Mr Dawie de Villiers, the Trade and Industry Minister, hinted meanwhile that South Africa would conduct its foreign trade in greater secrecy by restricting publication of official trade figures.

"Information regarding our products, clients, volumes of exports and production and other details could very easily be used by our adversaries in the campaign against us," Mr de Villiers said.

Pretoria has for many years fudged foreign trade statistics to prevent monitoring of movements of sensitive items like oil and arms, and of trade with countries which claim to boycott the republic.

The prospect of an effective package of sanctions has triggered warnings from several quarters of inevitable hardship and of far-reaching economic adjustment.

Mr John Wilson, president of the Federated Chamber of Industries

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Finland moves to defend currency with 40% rate

BY KEVIN DONE IN STOCKHOLM AND OLLI VIRTANEN IN HELSINKI

THE BANK of Finland yesterday pushed short-term interest rates to a record level of 40 per cent in a crisis move aimed at staving off a looming devaluation.

The Finnish authorities have been trying for a week to stem a growing tide of speculation against the Finnmark.

The central bank has raised the call money rate, the overnight rate at which it lends to banks, in a series of dramatic leaps. From 10.8 per cent a week ago, the rate was raised to 25 per cent on Tuesday and then again yesterday to 40 per cent as currency continued to flow from the country.

The foreign exchange markets have been uneasy about the Finnmark for several weeks and confidence in the Bank of Finland has clearly been undermined since it gave way to speculation in May and devalued the currency by some 2 per cent in the wake of the 12 per cent devaluation by neighbouring Norway.

There is a great deal of prestige riding on the defence of the currency for the Finnish authorities, which have been trying hard to break Finland out of its previous inflation-devaluation cycles.

The country has enjoyed four years of unprecedented economic stability with growth running at a stable level of some 3 per cent a year, but its prospects now appear far less certain.

Earlier this week the Organisation for Economic Co-operation and Development warned that for the first time since 1978 Finnish economic growth in both 1986 and 1987 could fall below the average level for Western Europe.

With its all-important trade with the Soviet Union undermined by falling oil prices and with declining shares in Western markets caused by still-high cost levels and a declining competitive position, Finnish exports are expected at best to stagnate this year.

While a devaluation would stimulate exports, the Finnish authorities are concerned that it would also refuel inflation and could trigger clauses in this year's national wage agreements, which would allow the unions to reopen pay negotiations, forcing a further increase in industrial costs.

Since the end of December, more than half of Finland's foreign exchange reserves have drained away, falling from FM 22.4bn in December to a current level below FM 11bn.

In a bid to restore confidence in the currency, the Bank of Finland announced a package of measures late last week aimed at "maintaining the external value of the Finnish markka unchanged and ensuring a sufficient level of foreign exchange reserves." The central bank was given unrestricted powers to raise the call money rate to whatever level was required to achieve these goals.

The central bank said that the call money rate would rise "very quickly" whenever reserves fell and decline whenever they grew.

The new policy appears to have backfired, however, as sceptical foreign exchange markets have moved heavily to test the authorities' determination to defend the currency.

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EEC curb on Japanese bearings

BY TIM DICKSON IN BRUSSELS AND NICK GARNETT IN LONDON

THE EUROPEAN Commission is to impose provisional anti-dumping duties on roller bearings made by five Japanese companies.

The duties, which are likely to be confirmed by EEC member states if the companies concerned do not take voluntary action over prices in the next four months, range from 17.99 per cent imposed on Nippon Seiko KK (NSK) down to 1.13 to 4.58 per cent on bearings made by Asahi Seiko. The other three companies are Nippon Pillow Block, Showa Pillow Block and NTN Toyo.

The EEC action follows a complaint early last year by European producers – which include SKF of Sweden, the world's largest – that the Japanese were not adhering to price undertakings given in 1978. The Commission subsequently discovered dumping margins ranging up to the highest duty imposed yesterday on NSK.

European producers have been trying to have anti-dumping duties imposed on Japanese made "rolling element bearings" since the mid 1970s.

Dumping duties were eventually imposed three years ago but the Japanese successfully appealed against the ruling through the European courts and the duties were rescinded.

A further attempt was made to impose duties but again the Commission accepted undertakings that the Japanese, who have a number of manufacturing operations in Europe, would eliminate dumping margins.

Roller bearings are used in a wide range of applications from steel mills to car wheels and the hardware on which bulldozer tracks move.

Imports of Japanese-made roller bearings into the EEC totalled 2.8m in 1981, fell back to just over 2m the following year before climbing to more than 2.73m in 1984. During the first five months of 1985 imports totalled 1.477m, 26 per cent above the same period in 1981.

Asahi, which has come away with some of the smallest duties, is widely viewed as being particularly predatory.

The commission said yesterday that Japanese manufacturers were in some cases selling their products in Europe at a price below European manufacturing costs and in all cases below what might be considered a reasonable return.

European makers were also able to show that in most cases Japanese companies were financing their roller bearings operations from the profits of other activities.

FT INDICES

London shares fall again

By George Graham in London

SHARE prices suffered further losses in London yesterday, in the wake of Wednesday's sharp slide, but a revival as the session progressed helped stock market indices to make up nearly half the ground they had lost in the morning.

Profits from TI Group, the engineering company, and Barclays Bank, were worse than analysts had expected, shaking the confidence of investors who were already unsettled by the gloomy prognosis issued the previous day by Guest, Keen & Nettlefolds, another engineering concern.

Many stockbrokers, however, viewed the poor results as isolated instances and were cautious about inferring any broader collapse in company profits. For the most part, analysts are sticking to their earlier forecasts that gross profits of non-oil industrial and commercial companies will grow by 14 to 17 per cent this year.

Results from other leading companies such as Shell Transport and Trading, the Oil company, and BOC Group, the gases and carbon producer, were better received in the stock market, which benefited also from a rise in share prices in New York.

The FT Ordinary index, which at one stage had fallen 22.8, recovered to close at 1,221.5, a loss of 12.2 on the day. The broader FT-SE 100 index ended 10.5 lower at 1,529.9, after dipping as low as 1,519.2.

Mr Roy Hattersley, deputy leader of the opposition Labour Party, said the stock market's falls in the last two days were clear evidence of a persistent decline in confidence resulting from the Government's management of the economy.

The pound resumed its slide in the foreign exchange markets yesterday, losing 2¾ pfg to close in London at DM 3.0525, 1¼ pfg below Monday's low point. It fell slightly to $1.4765 against a weaker dollar, which itself lost nearly 1½ pfg against the D-Mark to close in London at DM 2.0670

Gold, however, rose to its highest London level for more than two years, closing at $362½ per troy ounce.

SEC pact with Swiss catches insider traders

BY TERRY DODSWORTH IN NEW YORK

THE CAMPAIGN against insider trading by foreign investors in the US securities markets claimed another victory yesterday with the successful prosecution of an alleged dealing ring in which one of the defendants ran an account through Union Bank of Switzerland.

The settlement in a case involving alleged illegal trading in RCA shares last December marks an important breakthrough for the Securities and Exchange Commission (SEC), the watchdog for the US securities industry. For the first time in a civil case, the SEC was able to put to effective use a four-year-old memorandum of understanding with Switzerland on US securities law violations.

The memorandum allowed the SEC to expedite its action against one of the defendants, Mr Elie Mordo, described as "living overseas" in the SEC documentation. Under the agreement announced by the SEC yesterday, Mr Mordo is to pay back $1m in profits alleged to have been made in trading in RCA stock last December before the announcement of the agreed takeover by General Electric.

Mr John Sturc, associate director at the SEC in Washington, said that the use of the memorandum had allowed the commission to avoid the "tortuous" proceedings it had been faced with previously in dealing with Swiss investors involved in insider trading suits.

In addition, the SEC had been able to persuade the Swiss authorities to freeze the alleged profits on the RCA deals while the investigation continued without recourse to a court action.

The most successful previous SEC international insider trading action involved a group of Middle Eastern investors who agreed to give up $7.8m in alleged illegal trading profits made from the takeover of Santa Fe by the government-owned Kuwait Petroleum in 1981.

According to the SEC, Mr Mordo was part of a group of four individuals who made profits of more than $2m from dealing in RCA stock and options contracts two days before the takeover deal with GE was announced on December 11.

The SEC charges that all four were connected with Mr Marcel Katz, a former stock analyst at Lazard Freres, one of the leading New York investment banks, and the principal adviser to RCA on the acquisition proposal.

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London, Midwest SE plan electronic link

BY DAVID OWEN IN CHICAGO

THE Chicago-based Midwest stock exchange and the London stock exchange are due to announce next week an electronic link between their clearing and settlement systems.

The agreement, underlining the current trend towards internationalisation of equity markets, will represent a further move by established stock exchanges to cut transaction costs and increase the efficiency of their systems in order to encourage cross-border trading through exchanges.

It will link the Chicago exchange's clearing corporation, the second largest of four US securities clearing bodies, with the London exchange's Talisman system. It will eventually apply to securities whether or not they may currently be traded in the US.

Both exchanges have already been active in pursuing international links. The Midwest exchange has a clearing arrangement with Vancouver and a trading link with Toronto.

The London exchange has established a clearing link with Australia and is discussing similar arrangements in Japan, as well as with the Midwest's larger rival, the National Securities Clearing Corporation, which handles New York stock exchange trades.

It has also launched a link between its screen quotation system and that of the automated share market operated by the US National Association of Securities Dealers, and plans a trading link for currency options with the Philadelphia Stock Exchange.

Mr Albert Anderson, head of the Midwest clearing corporation, said of the London talks: "I believe we are about four to six months ahead of New York in establishing a link. We are offering the choice of whether to access through Chicago or New York. We like to think that the service here will be better."

UK and US brokers wishing to use the link will notify their respective clearing corporations when a transaction has been completed.

CONTENTS

EUROPEAN NEWS

Swedes ask Denmark to cut gas price

By Sara Webb in Stockholm

SWEDEN HAS threatened to buy gas from either Norway or the Soviet Union instead of from Denmark if Dangas, the Danish gas distributor, does not lower the price of the natural gas it supplies to southern Sweden by 20 per cent.

Mrs Birgitta Dahl, the Energy Minister, outlined Sweden's position in a letter to her Danish counterpart, Mr Svend Erik Hovmand, earlier this week.

Yesterday, Mr Owe Carlsson, the managing director of Swedegas, which distributes natural gas in Malmo and the surrounding area and which is a subsidiary of the state power board, was in Oslo discussing the possibility of buying gas from the Norwegian company Statoil.

The gas is used in the Sydgas 1 project, supplying 400m cubic metres to Malmo and the surrounding area in southern Sweden.

A second project, Sydgas 2, is to supply 100m cubic metres along the west coast and is still under construction. A third project, Vaestgas, is planned to supply the Gothenburg area with 200m cubic metres by the spring of 1988.

The issue has assumed greater significance since Sweden's decision to close its nuclear reactors by the year 2010. Natural gas provides only about 1 per cent of the country's energy at the moment but is one of the most important energy alternatives.

When the contract was signed in 1980, the price of natural gas was fixed, but since then, oil prices have dropped and Swedegas estimates it as paying about 20 per cent above the current market price.

Sydgas 1 stands to make a financial loss and the Vaestgas project may be delayed if Dangas and the Danish gas company, Dansk Undergrunds Consortium, do not agree to lower the price.

French oil industry warns on production tax

BY PAUL BETTS IN PARIS

THE CREDIBILITY of the French Government's liberal economic policies risks being seriously undermined if it keeps a controversial tax on domestic oil and gas production in its 1987 budget, according to Mr Claude Roux, chairman of Esso SAF, the French subsidiary of the US Exxon group.

The special tax was introduced as a temporary measure by the former Socialist Government to help finance the budget two years ago. Despite the decline in oil prices over the past two years and the election of a right-wing administration, the tax has so far not been abolished as oil companies operating in France had expected.

Elf Aquitaine, the state-controlled oil group, and Esso are the two which have suffered most from the tax. Elf with its large but declining field of Lacq, in south-west France, is the country's biggest gas producer, while Esso has traditionally been France's single largest crude oil producer accounting for half of annual oil production. Esso last year produced 1.3m barrels of crude from its fields in the Paris basin and the south-west out of a total French production of 2.6m tonnes.

Mr Roux, Esso's chairman in France, said the company had expected the new government to repeal the special tax this year. The subsidiary of the US oil giant will pay about FFr 135m (£13.5m) this year as a result of this tax on its oil production although its domestic upstream activities are expected to barely break even.

The tax is calculated on the masis of 12 per cent of an oil company's upstream operating profits in France the year before. If oil prices had stayed or were to go below $10-$9 a barrel again, Esso would be losing money on upstream operations in France. At around $13 a barrel, they should break even.

Echoing widespread if less forceful complaints from other oil groups in France, Mr Roux said that the oil production tax gives France "a very bad image"

Until recently, Esso's upstream operations in France helped offset its losses in domestic refining and marketing. However, with the collapse of oil prices and the restructuring of downstream operations in past year, Esso, like other French based oil companies, has seen the economic performance of downstream operations improve while upstream oil production operations have come under pressure.

The special tax is also expected to cost Elf-Aquitaine about FFr 850m this year. Oil industry experts claim that if the tax were retained, it would represent an additional and unnecessary burden for Elf at a time when the large state-oil group is due to be privatised.

Mr Roux warned that the tax was also discouraging oil companies from investing in production and exploration in France. Esso itself has reduced its French exploration budget this year from FFr 1.2bn last year to about FFr 800m this.

Europe rides slump in computer business

BY DAVID THOMAS

THE TOP 25 data processing companies in the European market had combined revenues of $34.5bn (£22.3bn) last year, 21 per cent up on the previous year, according to a survey by Datamation magazine. The survey, which covers computer hardware, software and data communications equipment, shows also that those companies accounted for 86 per cent of the total European computer business in 1985.

"The European data processing market, which has always experienced more modest but steadier growth than the US, suffered much less in 1985 from the so-called slump in the computer business," says Datamation. One sector which was particularly buoyant was software and services, up 22 per cent overall on the previous year. Package software soared 32 per cent.

West Germany spent most on data processing followed by the UK, France and Italy.

Twelve of the top 25 companies are US-based, according to the survey. But their combined sales, influenced by the dominant position of International Business Machines (IBM), were almost double those of the European-based companies.

Of the 13 European-based companies, there are four each from West Germany and the UK, two from France, and one each from Sweden, Italy and the Netherlands. Britain had only one in the top 10: STC, parent of ICL, the largest British-owned computer company. The other three UK companies in the top 25 were British Telecom, a new entrant in the list, Plessey, and Atlantic Computers, also a new entrant.

The biggest increases in dollar sales were recorded by Atlantic Computers (up 87 per cent), Prime Computer of the US (37 per cent), Digital Equipment of the US (34 per cent) and BASF of West Germany (33 per cent).

The biggest falls, according to the survey, were experienced by Apple Computer of the US (down 28 per cent) and Plessey of the UK (14 per cent).

TOP TEN DATA PROCESSING COMPANIES IN EUROPE

Rank 1985	Rank 1984		Headquaters	1985 European sales ($m)	% CHG
1	1	International Business Machines	US	$13,440.2	18.0
2	2	Siemens	W. Germany	2,775.2	16.9
3	4	Digital Equipment	US	2,179.1	34.5
4	3	Olivetti	Italy	1,842.8	23.4
5	5	Bull	France	1,468.8	15.4
6	8	Nixdorf	W. Germany	1,192.5	16.7
7	9	Burroughs	US	1,124.4	19.0
8	6	L. M. Ericsson	Sweden	1,097.1	8.5
9	11	Philips	Netherlands	1,078.2	28.4
10	10	STC	UK	1,038.0	10.0

Source: Datamation

Oil losses hit Norway hard

Norway, hard hit by low oil prices, was NKr 8.5bn (£787m) in deficit on its current account in the first four months of the year, the Central Bureau of Statistics said yesterday, Reuter reports from Oslo. Ithad surplus of NKr 14bn over the same period last year.

Oil revenues in the first four months fell 34.8 per cent to NKr 19.7bn from the 900,000 barels of oil Norway pumps from its North Sea fields.

Italian call for referendums

By Daniel Lane in Rome

ITALY COULD face several referendums next spring on nuclear energy. The first would seek to block financial incentives to local authorities to accept nuclear power stations, a second would deprive the central government of its power to site stations against the objections of local authorities; and a third would prevent Italy's electricity corporation, Enel, from participating in international nuclear projects.

The call for the referendums, backed by more than 900,000 signatures, is being demanded by the Radical Party and the left-wing Proletarian Democrats.

Poland may have to trim imports

BY LESLIE COLITT IN WARSAW

POLAND MAY have to reduce essential imports from the West further unless Western creditors provided fresh loans at non-discriminatory interest rates, according to Mr Zbigniew Karcz, the country's chief debt negotiator.

He was speaking following the departure of an IMF delegation which conducted the Fund's first review of Poland's economic situation since it was accepted for membership in May. The Government could obtain some $2bn in loans over the next few years from the IMF, and from the World Bank which it expects to join, but these are unlikely to start until the end of the year.

Mr Karcz pointed out that Poland was having to pay in cash for more than 90 per cent of its imports. "Find me another country in this situation!" he asked. He called on Poland's government and bank creditors in the West—who are now owed $31.3bn—to treat it "similarly" to Mexico and Brazil.

The alternative, he said, was an even slower recovery of the economy from the crisis of the early 1980s and the government's inability to pay more of its rescheduled debt.

By the end of June, Poland's hard currency trade surplus was only $430m, well below target and insufficient to cover essential imports. Polish companies are unable to use their hard currency retention accounts with Bank Handlowy, the country's commercial bank, to place new orders in the West until all old ones have been paid.

Mr Karcz said either Western governments and banks cooperated with Poland on "normal financial conditions" without politics, or there would be further delays in restructuring the country's industry and foreign trade. Instead of being able to modernise industry, he said, Poland was now being forced to merely "maintain what we have."

EEC officials slither on Europe's butter mountain

THE European Community's growing butter mountain is becoming something of a symbol of its ineptitude in presenting its often controversial policies to the public, critics here say, Reuter reports from Brussels.

The notorious mountain has risen to an all-time high of 1.3m tonnes. Skimmed milk stocks have also hit peaks. Senior officials say this is all because the Community produces 15m tonnes a year more milk than it can consume or export.

Faced with the seemingly hopeless task of trying to balance rising dairy produce stocks with falling demand, officials have unveiled schemes costing millions of dollars to feed butter to calves and skimmed milk powder to pigs and poultry.

These were greeted with predictable mirth. "It has cost a fortune just to end up where it came from," one Brussels official said, referring to the price supports held largely responsible for over-production.

Virtually simultaneously, the Community dropped a scheme to offer cheap butter to the old and jobless, inviting jibes that it treated animals better than people.

The Community "has a remarkable gift for mistiming which would leave any decent public relations outfit wringing its hands," one diplomat said.

Only a week later, the Community agreed new import quotas for New Zealand butter for 1987 and 1988 of 76,500 and 74,500 tonnes respectively, despite record domestic stocks.

Few dispute the need to honour commitments made to that country as compensation for lost markets when Britain, formerly its best customer, joined the Community in 1973. But the issue could have been handled with greater tact.

In the context of the Community's surplus, "76,000 tonnes is not very much," one official said, acknowledging that the deal did give the impression of a chronically oversupplied community importing yet more food.

"Just try explaining that to an Italian farm co-operative," said one official, charged with explaining Community policy to consumer groups.

Brussels-based farm experts say gaffes of presentation have cost the Community goodwill while it should have been recruiting support for solutions to its problems.

The Community's dairy sector is facing its worst-ever crisis only two years after ministers braved the wrath of Europe's farmers and agreed measures designed to limit output.

Despite the introduction of milk quotas with a "super-levy" tax on surplus production, skimmed milk supplies and the butter mountain are at all-time peaks.

The cost of the dairy sector now swallows about 20 per cent of the Community's entire budget of about $35bn.

Last month, twice as much unwanted butter was flooding into community warehouses as the group's embattled market managers managed to offload at greatly reduced prices.

It costs almost as much to dispose of the butter as it did to produce it, one official said.

SPD author throws the book at Rau

By Rupert Cornwell in Bonn

THE HOPES of West Germany's opposition Social Democrats (SPD) for a smooth start to the Bundestag election campaign this autumn have been dealt a blow by a book from a former prominent SPD politician which is strongly critical of Mr Johannes Rau, the party's candidate for Chancellor next January.

The latest discomfort of the party, whose hopes of defeating the ruling centre-right coalition of Mr Helmut Kohl already look slim, lies not only in the content but also in the timing of the book. It will be published at the end of August—just as the SPD holds a key congress in Nuremberg which will launch its manifesto

Despite encouraging showings in state and local elections over the past 18 months, the SPD has failed to convey the impression that it can win when it counts in less than six months' time—at least without the possibly self-defeating support of the radical left-wing Greens.

Still devoid of a convincing electoral platform, and in internal disarray over both defence and economic policy, its best chance has hitherto seemed to lie in the personal qualities of Mr Rau himself. But it is precisely these about which the book is less than impressed.

Its author is Mr Klaus Boelling, once the chief spokesman of the last SPD Chancellor, Mr Helmut Schmidt, and subsequently West Germany's "permanent representative"—in effect ambassador—in East Berlin. The book is called "Bonn observed from the outside," and one of its observations is that Mr Rau, for all his virtues, is simply not the right man for the task.

According to Mr Boelling, the abilities of Mr Rau to be seen at their best on a smaller stage—be it family, party, or even the state of North Rhine-Westphalia, of which he is presently prime minister. But his yearning to create "harmony and consensus" could be fatal in a major decision-making centre.

"I can't imagine him as a political leader in Bonn. There he would only agonise and feel alone," writes the author, who mentions Mr Schmidt's letter last year to Mr Rau, urging him not to run for Chancellor. "It is logically almost inescapable," writes Mr Boelling, "that Mr Rau would fail in Bonn."

The public reaction of the SPD yesterday was, as might be expected, one of weary dismissiveness. A party spokesman said he felt "a little sorrow and a little commiseration" that the book expressed such sentiments, and implied that it was the work of an embittered and frustrated man.

But Mr Boelling's remarks cannot fail to have touched a raw nerve within the SPD. His misgivings about the candidate are privately shared by many, and Mr Rau himself was known to have had severe doubts about accepting his party's call to the colours. Not surprisingly, the ruling Christian Democrats have hailed the entire episode as proof that Mr Rau no longer has a hope of victory.

How you judge the programme's success depends on your viewpoint, writes **Andriana Ierodiaconou**

Greek economic measures yield mixed results

JUDGING THE state of the Greek economy these days is rather like the psychological test in which one is invited to describe a glass containing water to the half-way mark and, depending on one's outlook, finds it to be either half full or half empty.

The economic stabilisation programme introduced by the Socialist Government last October to tacke double-digit inflation and high current account and public sector deficits has so far yielded mixed results. To the Government, the partial progress achieved, even if it falls short of that expected, means the programme is proving a success.

To the conservative opposition, radical left trade unions, critics within the Socialist party itself and the general public, the shortfall is what counts, and it means the programme is a failure.

The Government followed a classic enough recipe in putting the stabilisation package together, on the basis of which it was able to negotiate a two tranche Ecu 1.75bn (£1.2bn) balance of payments support loan from the European Community.

As well as drastically modifying the wage indexation system introduced in 1981 by the Socialists themselves, the October measures included a 15 per cent devaluation of the drachma — the effective exchange rate has been allowed to slide by another 6 per cent since — a compulsory import deposit scheme, a tight monetary policy and steps to reduce the public section borrowing requirement.

The programme set the following targets for 1986, on the achievement of which the second tranche of the EEC loan, due at the end of the year, formally depends: a reduction of the current account deficit from $3.3bn in 1985 to $1.7bn; a reduction of the PSBR from 18 per cent of gross domestic product to at least 14 per cent; a reduction in the annual inflation rate from 25 per cent to 16 per cent; and a cut in domestic credit expansion from 26.4 per cent to 17 per cent.

According to a US Federal Reserve Board internal report on Greece in April, "The specific targets . . . are strikingly similar to conditions that the IMF may have been expected to impose on a standby arrangement, except that the IMF would probably also have required substantial structural adjustment."

Indeed, over the past few months, the Government has received advice from various quarters, including the OECD and the Bank of Greece, that the stabilisation programme ought to be supplemented with measures to tackle the fundamental structural problems of the economy if it is to lead to long term recovery through a reversal of the decline in net private investments which dates back to the oil shock of 1973.

Specifically, measures are recommended to reduce drastically state control of prices and of the financial and labour markets.

While the Government has reportedly quietly liberated a range of prices and even shown flexibility over dismissals—at present limited to 20 per cent a month—in isolated cases of companies facing acute financial difficulties, it has so far stopped short of taking outright steps to liberalise the economy. In some areas it has actively resisted change in that direction.

Thus, the Bank of Greece recently lost the battle for an increase in administered interest rates—the bank proposed a 4 per cent rise—to counter substantial over-shooting of credit expansion targets and boost declining private deposits. For the private sector, for which the Economy Ministry released figures, credit expansion in the first four months of the year ran at an annual rate of 23.5 per cent as opposed to a target of 14 per cent.

While the Government has quietly freed a range of prices from controls and even shown flexibility over redundancies in some cases, it has so far stopped short of taking outright steps to liberalise the economy.

Partly as a result of the decline in deposits, the Bank of Greece has said it has had to resort to higher than planned levels of foreign borrowing in the first eight months of the year—an expected $2bn by the end of August against an original target of $1.7bn for the whole of 1986, bringing the total external debt to $16.8bn.

The Economy Ministry held out against an increase in interest rates in order not to inflate private and public sector borrowing costs, preferring to instruct banks to exercise strict rationing in allocating loans. The Ministry believes the overruns in credit expansion explain in some part one of the chief conundrums of the stabilisation programme—its failure to make an appreciable dent in consumer demand and imports in the first half of the year.

According to the bank's January-May balance of payments figures, non-oil imports went up by 8 per cent while non-oil exports rose by 10.4 per cent, judged a slow response to the competitive boost afforded by the October devaluation.

Stagnant shipping revenues and tourist earnings crippled by the sharp drop in US arrivals made for a current account deficit of $1.446bn, despite a saving of $515m in oil costs and a $219m increase in EEC receipts, up by 84.2 per cent relative to the same period last year. The deficit level is even more disturbing, given the authorities' frank admission that the dramatic fall in oil prices was not predicted in October.

Analysts invoke a host of additional factors to explain the recalcitrant consumption and import levels, including the extensive underground economy the fact that under half of Greek workers are salaried (and thus susceptible to the up to 7 per cent decline in real wages expected to result from the tight incomes policy) and the evident decline in private savings which increased by only 1.9 per cent. in the first four months of the year against 6 per cent in the same period last year.

Most independent economists are now working on the assumption of a current account deficit around the $2bn mark. The Economy Ministry has not adjusted its target, however, arguing that the full benefit of the decrease in oil prices will not show up in the figures until the second half of the year, and that the incomes standstill is only now beginning to bite.

Perhaps the area of most concern to the Bank of Greece is the public sector. Officials say that the ambitious PSBR reduction target may be achieved, but that this could prove to owe less to stabilisation programme limits on spending and more to external factors such as the Dr 100bn or so earnings windfall from taxes on oil products, the result of the Government's decision not to pass on the benefits of the fall in oil prices to consumers.

"If we achieve the PSBR target easily this year, that will mean things will have to be very tough next year. Like a fat person on a diet, the first ten kilos are the easiest to lose," one central bank official said.

The Ministry for its part bit the bullet in July and announced a surprise wave of 15 per cent price increases on basic services such as electricity, telephone, water, the post office and railway and air fares, the second since October, in order to curb wayward public sector corporation deficits.

The move was a courageous one politically, given that the Socialists face municipal elections in October in which the Communist and Conservatice opposition will try to cash in on voters' dissatisfaction over the economy. Independent observers are concerned, however, that it might place a strain on the one indicator which has so far developed right on target, that of inflation.

Meanwhile, much d epends on a computer-aided crusade against tax evasion currently being waged by Mr Dimitris Tsovolas, the Finance Minister, whose task is to increase direct taxation revenues by 53.4 per cent this year. If he succeeds, the Greek public is even more likely to insist that the glass is half empty. But the Government will be able to make a better case for its being half full.

OVERSEAS NEWS

Indonesian industry—fewer hands at work.

Indonesia faces trouble after the boom years

BY MICHAEL BYRNES IN JAKARTA

THE republic of Indonesia, South-east Asia's largest nation, faces a major economic collapse caused by falling oil prices that threatens to overturn the progress made over the past decade of dynamic growth.

A pull-out of foreign investment has added to the problem, causing rising unemployment which could push large numbers of ambitious Indonesians back into non-productive jobs in villages and cities.

Although observers believe that the Government of President Suharto can control any social unrest this may cause, they also think that the economic downturn will be the country's biggest challenge since it gained independence in 1945.

In the 10 years up to the early 1980s, Indonesia shared in the major surge of growth achieved by Southeast Asia's capitalist economies. Average real growth rates amounted to around 7 per cent a year, much of it based on revenues from oil exports.

This year the rate will be negative, raising concern that the previous high levels achieved may have permanently ended, certainly without a substantial increase in the oil price. Indonesia might return one day to growth rates of 5 per cent, government economists believe, but it would take at least ten years.

Growth began to slow dramatically even last year, when world oil prices were much higher than today. The World Bank estimated in early June that Indonesia's 1986 GDP grew in real terms by only 1.1 per cent, down from 6.6 per cent the previous year.

With Indonesia dependent on oil and gas exports for almost 70 per cent of its foreign earnings and almost 60 per cent of budget revenues, the drop in world oil prices from more than $25 a barrel in 1985 to less than $10 a barrel this year will cut its present-year real growth even more savagely.

Estimates of this year's likely performance range from a negative growth rate of 3 per cent to a rate marginally greater than zero. A recent estimate from the Faculty of Economics at the University of Indonesia predicted around −1 per cent.

Few observers in Jakarta expect the private sector suddenly to take over as the engine of economic growth

Indonesia's problem is simply that the sustained strength of the oil market in recent years took much of the urgency out of its need to build a range of internationally viable industries. The results are now being seen in the shortfalls in the balance of payments and the budget.

Today the country has no choice but to slash its development budget and restrict imports in the short term and to attempt to attract foreign investment to boost the non-oil sector in the medium term.

The 1986 development budget has been cut by almost $3bn to $8bn over the 1985 figure but, underspending in previous years on development projects may mean that actual spending this year will be little changed from last year.

Nominally, the heaviest cuts in the development budget will fall on public works, transport and electricity generation. Spending on education and Government salaries will not be reduced.

If both the 1985 development budget allocation and the carried-over funds are spent then the real effect of the cuts will not be seen until next year.

At that stage nobody really knows what the consequences will be. Few observers in Jakarta, however, expect the private sector suddenly to take over from the Government as the engine of economic growth.

Problems have also arisen over foreign investment. In early May the Government announced a new package of measures to stimulate foreign investment, disillusionment has since set in largely because the liberalisations are regarded as more cosmetic than real.

Mr Richard Beacham, head of the Indonesian-British Association in Jakarta, put it more bluntly than most. The main problem with the May package was that it did not alter the fact that the Indonesian Government still wished to exert political control over foreign investment, he said.

Mr Beacham shares the view of foreign businessmen in Jakarta that in the longer-term, Indonesia offers real business opportunities, with its huge land area and resources and a labour force which remains stable and cheap. In the immediate future, however, opportunities remain "rather slim."

Last year's foreign investment performance was nothing short of disastrous with another

Today the country has no choice but to slash its development budget and restrict imports to try to attract foreign investment

$106m in funds compared with an inflow of $229m in 1984. In January and February this year the inflow figure was $75m.

Last year's visit to Indonesia by Mrs Margaret Thatcher, the British Prime Minister, has apparently encouraged British businesses to take more interest in the country. The Thatcher Government is said to be planning a major aid boost to Indonesia, increasing funds from £10m or so up to £100m.

Mr Daniel Hogan, vice-president of Chase Manhattan Bank in Jakarta, sees a similar picture of short-term gloom but longer-term prospects for growth. Chase Manhattan was experiencing "definite liquidity problems," among corporate borrowers who were requesting debt-restructuring arrangements, he said. But longer-term indications were positive and the bank was certainly not planing to pull out from the country.

Mr Graham Shaw, president of Auscham (the Australian Chamber of Commerce in Indonesia), commented that while many foreign companies were facing a difficult adjustment as a result of overcapacity in key industries, opportunities continued to exist in mining, agriculture and in some specialist manufacturing areas.

Such opportunities are unlikely to have much immediate effect on President Suharto's major potential problem—unemployment. To keep pace with new job-seekers and find positions for workers losing their jobs, 180 new jobs or one small factory need to be created every hour.

Millions in this nation of 165m people work in the "informal sector" where they either engage in subsistence farming or do jobs such as voluntary car park attendants in cities, which amount to partial employment at best. Unemployment is already at 35 per cent.

Dr Hadi Soestraso, Director of Economics at the influential Government-backed Centre for Strategic and International Studies (SCIS), says however that people can still rely on the informal sector and serious social unrest is unlikely to follow the economic crisis.

Both opposition leaders and Government supporters agree that the Suharto regime will be able to maintain stability even in the face of a substantial rise in unemployment.

The danger for Indonesia is that after 10 years of development it could slide back into the Third World economic patterns which its oil wealth had apparently consigned to the past.

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Australian jobless in steep rise

By Emilia Tagaza in Canberra

THE Australian Government suffered another political blow with the announcement yesterday of a sharp rise in July's unemployment rate, ending the general downward trend since Mr Bob Hawke became Prime Minister in 1983.

The July jobless rate jumped to 8.3 per cent from 7.6 per cent in June, the highest level since June last year.

When all other economic indicators spelled gloom over the past nine months, the declining unemployment rate was the only bright spot Mr Hawke could point to in defence of his government's economic policies. Even last June, when the current account deficit reached a new height and the Australian dollar took a beating from currency markets, the unemployment figure of 7.6 per cent — the lowest for almost four years—provided some cheer.

Mr Hawke said the figure was expected because of the slowdown in economic growth rate.

The Minister for Employment and Industrial Relations, Mr Ralph Willis, warned of further increases in unemployment if trade unions refused to accept government calls for smaller salary increases. He said the tough 1986-87 budget to be announced on August 19 would also put pressure on employment.

The Confederation of Australian Industry (CAI), the biggest employers' group, said the Government must now abandon its wage indexation policy, under which wages are reviewed twice a year and are fully adjusted for rises in inflation rates. CAI's director-general, Mr Bryan Noakes, said that unless unemployment were turned around, the Government faced a blow-out in its budget deficit.

Richard Johns assesses the politics of the Geneva meeting

Hidden persuaders behind the Opec compromise

"IF we had left Geneva with nothing, we'd have had it," commented one veteran delegate on the dramatic turnaround of the Organisation of Petroleum Exporting Countries' conference which ended on Tuesday with agreement after being on the brink of collapse. Total failure would, in effect, have meant surrender to market forces by the 13 members and a continued slide in prices to levels so low that production would have become uneconomic for several of them. It could conceivably have led to an escalation of the Gulf conflict.

The temporary accord on production sharing under a ceiling of 16m barrels a day, even if one member has not subscribed to it and the duration is only two months, could at least lay the foundation for a lasting recovery of the market and prices.

More astonishing than the recovery of the moribund meeting was the fact that Iran inspired it

Arguably the common plight should have been sufficient to concentrate the collective mind and will sufficiently in a rational world to find some kind of solution to a growing predicament.

The Opec Secretariat estimated that the oil revenues of the 13 members fell by 38 per cent — from $54.35bn to $36.76bn in the first half of 1986, compared with the same period of 1985. With the fall in prices since the last abortive conference on the island of Brioni two months ago, the decline in prospect for the year as a whole has looked catastrophic for many producers.

Yet the world in not a rational place and, in particular, the war between two member states, Iran and Iraq, has consistently bedevilled efforts to take concerted action to stop the rot by sharing output reductions since the market began to contract. Iran's insistence on two barrels for every one produced by Iraq and the latter's demand for parity with its enemy seemed last week to make any agreement impossible especially after President Saddan Hussein in person had said last month that nothing less than equality was acceptable. The second basic difference Opec is still far from resolving is the one over pricing targets and the related overall level of production.

By last Sunday night, depression had settled over a conference which had meandered slowly around in all-too-familiar circles. In the face of a price in the $8-10 a barrel range and a collective output of about 20.3m barrels a day (3m b/d above what the majority agreed on Brioni would be demand for members' crude), the best prospect in view was for pledges of "voluntary" cuts amounting to just over 2m b/d. This was seen as a reduction that would be sufficient to bring a little stability to the market but one unlikely, in practice, to be made.

Opec was in a blind ally before the lateral move out of it to a more promising approach came as a breath-taking surprise last Sunday night. Even more astonishing that the recovery of the moribund meeting was the fact that Iran inspired it. Its quota dispute with Iraq and hostility towards its Arab backers, Saudi Arabia and Kuwait, seemed to leave it completely out of the reckoning. As a mediator. So, too, did its alliance with Algeria and Libya in what, this year, has been an increasingly bitter confrontation with the majority which in April endorsed a continuation of the policy of recovering market share and setting moderate price goals.

The proposal for a return to the old quota system under the ceiling of 16m b/d, agreed in October 1984 but defunct since the end of last year, showed a significant willingness to compromise. On Brioni the three had insisted on a limit of no less than 14-14.5m b/d—the rate reckoned by the trio to be the right one to restore prices to $28 per barrel by 1986. It was already clear by this point that such a compromise might be acceptable to Algeria whose waspish chief delegate, Mr Belkacem Nabi, had called for 15-16m b/d in his six-point plan.

OPEC OUTPUT SHARES

	1983-5 quotas (b/dm)	%	Brioni proposed quotas (b/dm)	%	Actual out-put in July.*
Saudi Arabia	4.353	25.5	4.500	25.5	5.400
Iran	2.300	14.3	2.400	15.0	2.200
Venezuela	1.550	9.7	1.700	9.6	1.700
Nigeria	1.300	8.1	1.450	8.2	1.600
Iraq	1.200	7.5	1.600	9.0	1.900
Indonesia	1.189	7.4	1.350	7.6	1.325
Libya	0.990	6.2	110.00	6.2	1.200
United Arab Emirates	0.950	5.9	1.075	6.1	1.500
Kuwait	0.900	5.6	1.075	6.1	1.600
Algeria	0.653	4.1	0.650	3.6	0.680
Qatar	0.280	1.7	0.300	1.7	0.450
Ecuador	0.183	1.1	0.250	0.8	0.285
Gabon	0.137	0.8	0.150	0.8	1.700

Source: Middle East Economic Survey

Revolutionary Iran's commitment to maximising per barrel revenues has been intensified by constraints on its exports imposed by Iraqi air attack. The blockade of Kharg Island, rather than any respect for output restraint, is the reason why it alone has been within its quota with an average of little more than 2m b/d.

None of the other delegations at Geneva had any doubt that the initiative by Mr Gholam Reza Aghazadeh, Iran's Minister of Oil, derived from the acute financial squeeze on the country whose foreign exchange reserves are reckoned to have fallen to only $3bn-$3.5bn. Taking into account the expense of chartering vessels on the shuttle service to Sirri Island, Iran's per barrel cost of production could be as much as $5—meaning that Tehran recently has only been earning a couple of dollars or so on each one. At the same time it obtains no hard currency on crude involved in barter trade.

Nevertheless its sponsorship of the interim solution to Opec's problems, involving no Iraqi commitment, merely de facto recognition of its refusal to co-operate, could be embarrassing at home for Mr Aghazadeh's government. Hence the stress on the fact that the Islamic Republic had conceded nothing and the assurance that it would soon be in a position "to control" Iraq's exports. With the way the war is going, the claim could prove true, a possibility that the conservative Arab states of the Gulf are well aware of.

Before the meeting, President Ali Khamenei inveighed against what he called "the US-imperialist plot to force Iran to its knees." In Gulf ruling circles there is a school of thought which favours lowering prices to rock bottom as a means of weakening Iran's war effort. The argument against depressing the market too far, even with the aim of regaining market share, is that Iran might be goaded into escalating the war.

With the Iranians clearly cock-a-hoop over the course of the conflict, it was difficult to believe that there was not an element of prejudice, if not appeasement, in the acceptance of the plan by Saudi Arabia and Kuwait, some of whose own politically literate citizens are sceptical about the advantages to them of the price war. How much longer those two oil powers might have preferred to continue it and close down more high cost production is unclear.

For their part the Iranians were on strong ground. Several times over the past few months King Fahd has spoken of Saudi willingness to see the 16m b/d ceiling restored if others observed quotas and possibly Riyadh had concluded that the Opec recalcitrants had learnt their lesson. By the end of last week the four conservative Arab producers of the Gulf were becoming isolated and the majority of 10 achieved in April, with Gabon already having defected, had disintegrated.

When the proposal was put, Sheikh Ahmed Zaki Yamani, the Saudi Minister of Oil, surprised colleagues by responding positively and without hesitation. He was understood to have been informed of it a couple of days previously and referred it back to King Fahd, who approved it.

That very morning, his Government had issued a statement saying that the priority was to raise prices gradually to acceptable and reasonable levels. Recognising a breakthrough, Sen Arturo Hernandez Grisanti, the Venezuelan chief delegate, contacted Caracas and gained acceptance. Kuwait came out in favour publicly the following day but with heavy riders about all showing absolute respect for quotas. The United Arab Emirates, with its dogmatic insistence on no less than 1.5m b/d for itself, looked to be the biggest problem. A telephone call to Sheikh Zeid in Abu Dhabi quickly obtained the UAE's compliance.

The same veteran delegate described the initiative as "one of the cleverest strategic moves I've seen in Opec." The deadlock caused by the Gulf conflict had to be resolved by one of the parties to it, he pointed out.

In the event, the quota pro-

In Gulf circles, some favour low prices as a means of weakening Iran's war effort

positions originally agreed in March 1983 and confirmed in 1984 when the ceiling was lowered from 17.5m b/d to 16m b/d proved to be the lowest common denominator of agreement for all but one and was preferable to the division—seemingly more equitable—worked out by Dr Subroto, the Indonesian Minister of Mines and Energy, on Brioni, derived from what each member believed to be the fairest share-out.

Opec has regained some coherence and plausibility. The satisfaction and determination shown at the conference's end indicates that the accord will be observed until the next meeting in October. Then the measure of unity achieved will be sorely tested by negotiations not only on quotas but also on pricing strategy.

Gulf war air attacks intensify

By Our Middle East Staff

AIR ATTACKS by Iraq and Iran intensified yesterday amid mounting speculation that the Tehran Government was preparing for another major offensive.

A statement from Baghdad claimed that 74 Iraqis, including 21 children, had been killed during an Iranian attack on the northern border town of Halabja. Another 140 people were said to have been injured.

In retaliation for the alleged attack, Iraqi aircraft raided targets around the Iranian city of Isfahan.

Iraq claimed to have inflicted serious damage on an oil refinery and three power stations and to have attacked Iran's oil export terminal at Kharg Island.

This increase in hostilities reflects Iraq's concern that Iran may be close to launching what Tehran has described as a final and decisive offensive. Additional Iranian forces have been deployed in border areas during the past few weeks but there is still no clear evidence that it is planning anything more than another in its series of limited attacks.

Western diplomats in both capitals continue to be highly sceptical about Iran's capacity to achieve a decisive breakthrough in the Gulf war. Although it has succeeded in pushing back Iraqi forces twice this year, it still lacks the logistical weight to exploit those initial advances.

Military experts believe that, as long as Iraq's military morale holds steady, its superior weaponry and airpower should prove capable of containing any new Iranian assault.

Assessments of Iran's intentions have been further complicated by the dismissal of Col Sayyed Shirazi as the commander of the regular armed forces. There has been an intense debate in Tehran over Gulf war strategy.

Sydney starts to recover from effects of flooding

BY ROBERT KENNEDY IN SYDNEY

THE WETTEST 24 hours in Sydney since records were first kept in the mid-1800s has thrown the city into chaos this week.

However, signs were emerging yesterday that things were getting back to normal. Full public transport services resumed for the first time in 48 hours and flood waters had subsided to a level where the owners of cars abandoned the previous day could return to collect them.

By the time the rain finally eased yesterday, at least five people had died and the damage bill was estimated at more than A$100m (£41m).

Four council districts in the west of the city were still designated emergency areas but the number of distress calls to the Sydney County Council was starting to fall.

About 1,500 people had been evacuated from homes in low-lying areas in the Hawkesbury area, about 30 minutes from the city centre.

The council estimated that 15,000 calls had been received since Tuesday morning. More than 337mm of rain—about 13 inches—fell in the 24 hours to 9.00 am on Wednesday.

The state-owned NRMA insurance company estimated that it and its competitors would have to meet claims for more than $100m through flood damage. The federal and state governments last night pledged $10m each towards easing the plight of flood victims.

Mr Barry Unsworth, Premier of New South Wales, said the grants would allow the replacement of personal effects, essential household items and repairs necessary to restore homes to a safe and habitable condition.

"The cash assistance is not designed to provide compensation for losses but to give a measure of relief where flooding has caused distress," he said.

Bankruptcy move backed

CHINA'S FIRST bankruptcy was praised yesterday by a senior Communist Party official who said the concern's failure meant government should keep its hands off industry, Reuter reports from Peking.

The bankruptcy is seen as a test case in China, where guaranteed jobs regardless of performance have been the norm.

The New China News Agency said that Li Zemin, party secretary in the north east city of Shenyang, had praised the bankruptcy as a good start toward curbing excessive government interference in the country's current reforms aimed at streamlining industry.

Sadiq set for talks with Gadaffi

Mr Sadiq el Mahdi, Sudan's Prime Minister, makes his first visit to Libya today where he is expected to have talks with Libyan leader Col Muammar Gadaffi, John Murray-Brown reports from Khartoum.

The two leaders are likely to discuss the ill-defined military agreement signed last May by the Sudan's transitional government. The abrogation of this agreement was one precondition demanded by the rebel Sudan Peoples' Liberation Army, SPLA, before it would negotiate with the government in Khartoum.

Talks between SPLA representatives and members of the national alliance, a broad umbrella of political parties, have continued all this week in Addis Ababa in a bid to end Sudan's three-year civil war.

This follows the historic meating last week between Mr Sadiq and SPLA leader Col John Garang, news of which was greeted with cautious optimism by western diplomats in Khartoum.

Airlines suspend flights to Colombo

Swissair has joined five other airlines that are either reducing flights to Sri Lanka or stopping operations here altogether because of a drop in tourism, Reuter reports from Colombo.

Swissair said yesterday it was suspending flights from March next year because of the "steady downward trend," in Sri Lankan traffic due to three years of fighting between security forces and Tamil separatists.

A spokesman for the state-owned carrier Air Lanka told reporters Korean Air Lines and Royal Nepal Airlines were suspending flights to Colombo in the next two months. He said Garuda of Indonesia, Singapore Airlines and British Airways were reducing flights.

HK jockey charged in racing scandal

An apprentice jockey was charged yesterday with conspiring to cheat at gambling, bringing to ten those facing court proceedings linked to Hong Kong's worst racing scandal, Reuter reports.

A spokesman for the Independent Commission Against Corruption told reporters that all would appear in court today.

New Delhi blast baffles police

Police said yesterday they have made no headway in determining who planted the dynamite that blasted a Bank of America office in New Delhi on Wednesday night, AP reports.

The explosion shook a high-rise downtown building that houses the offices of the bank, as well as those of Banque National de Paris, the Reuters news agency, Saudi Airlines, Kuwait Airways and several Indian organisations.

AMERICAN NEWS

Superpower arms control experts to meet in Moscow

BY REGINALD DALE, US EDITOR IN WASHINGTON

THE US and the Soviet Union are to hold a high-level meeting of their arms control experts in Moscow next week as part of the preparations for the next summit meeting between President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader, the White House has announced.

The US team, to be led by Mr Paul Nitze, Mr Reagan's senior arms control adviser, will include the three top US negotiators at the Geneva arms talks, Mr Max Kampelman, Mr Ronald Lehman and Mr Maynard Glitman, as well as Mr Edward Rowny, a special presidential adviser, and Mr Richard Perle, Assistant Secretary of Defence.

The delegation thus represents Washington's two main warring factions on arms control, with Mr Nitze embodying the forces that would like a new agreement, and the hardline Mr Perle those likely to hold out against any agreement that would be acceptable to Moscow.

The idea of including Mr Perle, according to one US official, is to suggest to Moscow that Washington is now serious about resolving its internal differences, as well as to engage the Pentagon in the negotiating process.

The Moscow meeting, due to begin on Monday, is being held at Soviet initiative as part of the "work plan" proposed by Mr Gorbachev, to prepare the summit. US officials do not expect any breakthrough, but say that they hope the talks will help to define the issues and identify areas where early agreement might be possible.

Washington also hopes that the meeting will elicit an initial Soviet reaction to a letter sent by Mr Reagan to Mr Gorbachev at the end of last month, in which he proposed modifications in the 1972 Anti-Ballistic Missile (ABM) treaty while work proceeds on defensive strategic systems, combined with deep cuts in offensive weapons.

Mr Reagan's letter, which has not been made public, prompted widespread reports in Washington that he was planning to offer to delay or restrict deployment of Star Wars weapons developed under his Strategic Defence Initiative.

Mr Reagan sought to put the record straight on Wednesday night by declaring: "When the time has come and the research is complete, yes, we're going to deploy." In spite of the concern among conservatives, however, published accounts of his letter have not in fact implied otherwise.

Any restrictions on deployment that Mr Reagan is so far reported to be considering would expire well before the new weapons were ready in about 10 years' time or more. Mr Reagan is believed only to be offering to keep limits on deployment for the next seven and a half years, when work on the weapons will still be at the research and development stage.

●Mr Paul Nitze (right), who leads the US team, embodies the Administration forces which would like a new arms agreement with the Soviet Union

Argentine inflation rate rises sharply

By Tim Coone in Buenos Aires

ARGENTINA'S economic stabilisation programme, the Austral Plan, has suffered its worst setback since its launch in June 1985, with the announcement on Wednesday night of the worst monthly inflation rate figures for over a year.

In July retail prices increased by 6.8 per cent, against recent official expectations of 5 per cent. The accumulated rate for the first seven months of 1986 is 33.8 per cent.

In a letter to the IMF in June the Government stated that it intended aiming for annual inflation of 28 per cent for 1986, but 50 per cent is now being projected.

Mr Juan Trilla, president of the Congressional Committee on the Budget, said the August inflation figure would probably be similar to that for July. Nonetheless, the fiscal deficit target could be maintained because tax collections were expected to increase in line with the general inflation rate and because tax authorities were more vigilant.

The sudden jump in the monthly figures is, however, causing concern to President Alfonsin's economic team which is unable to attribute the increase to isolated causes such as a series of strikes. Price increases resulting from a sustained increase in demand are mainly to blame. A recent series of wage increases in both the private and public sectors are thought to lie behind the sudden growth in demand.

Six non-aligned nations outline verification plans

BY DAVID GARDNER IN IXTAPA

LEADERS OF the so-called Group of Six nations, who have been holding a summit on nuclear disarmament here this week, yesterday announced detailed proposals for the verification of the nuclear testing moratorium they are seeking to promote between the US and the Soviet Union.

The plan, put forward by the leaders of India, Mexico, Sweden, Greece, Argentina and Tanzania, breaks down into five main proposals on verification which could be carried out by either scientists from the six nations themselves, in conjunction with the US and Soviet Union, or by the superpowers alone. In summary, the group offers to:

● Take over seismic monitoring stations already set up by the Natural Resources Defence Council (NRDC)—a private US ecology action group—at the Soviet test site in Semipalatinsk, Kazakhstan, and establish others at Novoyazemyla on the Arctic coast and at the US's Nevada test site;

● Look at other sites which might worry either side through being beyond ordinary teleseismic monitoring;

● Establish a scheme of on-site inspection for "ambiguous" geophysical phenomena such as earthquakes;

● Take over the 20 to 30 existing monitoring stations in each of the two countries in order to provide 24 hour surveillance of remoter, especially mountainous, areas where systems of cavities can geologically muffle the size of explosions;

● Set up provisions for on-site inspection of large chemical explosions for industrial purposes before, during and after they take place.

The Group of Six proposals cover explosions over one kiloton, and would run for a year, though the eventual aim of the initiative is a comprehensive test ban.

The US House of Representatives is due next week to debate an amendment to the 1986-87 defence budget calling for a one-year moratorium on testing weapons of over one kiloton beginning in January.

The amendment brought by Mr Les Aspin, the conservative Wisconsin Democrat, would be revocable if President Reagan certifies to Congress that Moscow had carried out tests above 1 kiloton or any test outside the designated area after December 31 1986; or if the Soviets refused to accept and implement "in-country" or reciprocal monitoring between the two sides, during 1987.

The 1 kiloton threshold common to both initiatives would impair the development of new strategic weapons, scientists at the summit here say, and would therefore interfere with the ballistic missile defence system development envisaged for President Reagan's Strategic Defence Initiative.

Peter Marsh assesses the options facing Strategic Defence Initiative planners

Doubts grow over Star Wars timetable

CAN THE US construct an effective Star Wars shield against Soviet missiles—and, if so, is such a system feasible by the early 1990s?

Two and a half years into President Ronald Reagan's $26bn Strategic Defence Initiative—which is researching the possibilities for a comprehensive anti-missile system—the definitive answers to these questions are still far from clear.

Even those who answer yes to the first question may have difficulty, due to the problems of perfecting the required technology in such a short time, being similarly emphatic about the second.

The arguments over possible deployment in the 1990s have surfaced as a result of recent reports that President Reagan might be willing to postpone an operational Star Wars system for five to seven years as part of an arms-control package with the Soviet Union.

As well as agreeing to new limits on offensive weapons, this package could settle the superpowers' disagreements over the level of research into defensive systems permitted under the 1972 Anti Ballistic Missile Treaty.

The Soviet Union has insisted that the Star Wars programme—and the implied threat that an operational anti-missile shield could be in place in the next couple of decades—is a fundamental block to warmer relations between the superpowers.

The reports have raised questions as to whether progress in research could be fast enough to permit an early installation—and also on the different types of Star Wars systems, that the SDI project may make possible.

The discussion also involves the level of resources the US wants to devote to Star Wars. Over the next few weeks, Congress is likely to cut by $1.5bn to $2bn the $5.3bn which the Reagan Administration wants to spend on the project in the financial year beginning in October. Reduced cash for the programme will inevitably cut the options available to the administration—and, say SDI proponents, could kill off the project altogether.

There is also the difficulty of agreeing with the USSR on what kind of research is allowed under the 1972 treaty, which places limits both on the installation of anti-missile hardware and on development programmes.

According to the US interpretation, virtually any activities which stop short of field-testing a working anti-missile system are permissible.

The Soviet Union and some US critics of the Star Wars project argue that many of the individual experiments planned for the programme — such as schemes to test sensors or weapons in space—breach the spirit if not the letter of the treaty.

According to some observers, in the absence of any move by the US administration to agree to a different interpretation on research, President Reagan's reported offer of postponement is meaningless. Because there is no possibility that the technology for such a system will be ready by the early 1990s.

Dr John Steinbruner, an opponent of Star Wars who is director of foreign policy studies at the Brookings Institution in Washington, says that a supposed concession over postponement is "preposterous."

"President Reagan is offering to defer for five to seven years something that will not be available for 20," says Dr Steinbruner.

Others have interpreted the reports as evidence that the US may be willing to defer any ideas about constructing a limited anti-missile system — perhaps one to defend missile silos and other key military targets — in advance of a more grandiose scheme to shield towns and cities.

Dr James Ionson, a top official at the SDI Organisation, the Pentagon department overseeing Star Wars, says that discussions over deployment "depend on what kind of system you want to build."

"The research of the past two or three years has given us a number of options," says Dr Ionson. "An initial system could be built in the early 1990s."

Dr Victor Utgoff, deputy director for strategy at the Virginia-based Institute for Defense Analyses, a Pentagon-supported research body takes a different view. Dr Utgoff, the co-author of a recent study* into the economic implications of Star Wars, says that construction of even a modest anti-missile system would be a "tall order" within five years.

In the study, Dr Utgoff and Mr Barry Blechman, another defence analyst, review four possible types of anti-missile system that could arise from the SDI programme.

The least ambitious—what the authors call the Alpha system—would be based on two types of ground-based rockets grouped around selected US missile silos. It would be designed to shoot down Soviet intercontinental and cruise missiles together with bombers before they destroy their targets. Such a system could be fully operational by the year 2005 and cost $160bn.

Even this systems, say Dr Utgoff and Mr Blechman, could be scaled down. For example, a shield which simply defends the targets against intercontinental missiles could be installed for a bargain-rate $30bn.

Other options considered in the study comprise systems with progressively greater ambitions. A shield to provide limited protection of towns and cities in Canada and North America could also be ready by 2005 but at a much greater cost—$170bn.

According to Dr Utgoff, an agreement with the Soviet Union to postpone deployment of any of these systems for five to seven years could be significant more for its long-term political consequences than for any delays in installing a shield in the immediate future.

He says that if the agreement were accompanied by a new evaluation of exactly what level of research is allowed under the ABM Treaty the thrust of the SDI project could be slowed considerably. "If the US agrees that it is only going to do laboratory testing for the next five years then that could have the effect of putting off deployment for much longer."

* Fiscal and Economic Implications of Strategic Defences by Barry Blechman and Victor Utgoff, Institute for Defense Analyses, 1901 North Beauregard St, Alexandria, Virginia 22311.

FOUR POSSIBLE TYPES OF ANTI-MISSILE SYSTEM

ALPHA
Purpose: defence of US nuclear forces. Technology: ground based rockets plus sensors on aircraft. Operational by 2005 at cost of $160bn.

BETA
Purpose: defence of nuclear forces plus limited protection of 47 main cities and towns of US and Canada. Technology: ground-based rockets. Operational by 2005 at cost of $170bn.

GAMMA
Purpose: Comprehensive defence against long-range missiles and aircraft. Technology: Beta plus space-based rockets. Operational by 2012 at cost of $770bn.

DELTA
Purpose: as Gamma. Technology: Beta plus laser battle stations in orbit. Operational by 2020 at cost of $670bn.

US N-plant condemned

The only US nuclear reactor that uses technology similar to the Soviet Chernobyl reactor should be closed by the mid-1990s, a Congressional report recommends, AP reports from Washington.

The Hanford N-reactor in Washington state is not worth keeping in service beyond the middle of the next decade, which would be a dozen years more than the 20-year life specified when the reactor began service in 1963, according to the General Accounting Office, Congress's watchdog agency.

WORLD TRADE NEWS

France, India reach new-style accord on gas pipeline funding

BY PAUL BETTS IN PARIS

FRANCE and India have reached a FFr 1.2bn (£120m) financing agreement to fund the French contribution of the new $575m (£375m) Indian gas pipeline project which breaks new ground in the field of soft-loan export credits.

For the first time, France has extended a so-called single "monobloc loan" instead of the traditional mixed treasury and commercial credits used by France for export financing.

The "monobloc loan" is regarded as a 100 per cent French aid credit rather than a traditional mixed credit involving a package comprising a treasury soft loan and commercial bank credits at consensus rates.

The French authorities suggest that this new type of credit represents a rebuff to the long-standing criticism by the US over the controversial use of mixed credits to finance exports to developing countries.

The new form of loan is welcomed by the Indian authorities who believe this type of credit arrangement will facilitate the management of financing and debt of the new gas pipeline contract.

The loan has a 28-year maturity including a three-and-a-half-year grace period. Under the traditional mixed credit system, the grace period only applied to the 50 per cent portion of treasury soft loans and not to the commercial part of the credit package.

The new loan carries a below market interest rate of 6.14 per cent.

Although the actual cost of the loan to India is the same as a traditional mixed credit, Indian officials said yesterday the advantage of the "monobloc loan" was that it was easier to manage with a single repayment schedule.

The loan to finance the French portion of the Hazira-Bijapur-Jagdishpur (HBJ) gas pipeline is being extended on behalf of the French Government by the Banque Française du Commerce Extérieur (BFCE) and Crédit National, two French state banking institutions.

Financing has been arranged by Banque Indosuez which has played a central role in orchestrating the deal.

French officials said that while the new loan represented an important development in France's approach to export lending, it would at this stage be used to finance major projects like the Indian pipeline.

The HBJ pipeline contract was awarded by India last May after two years of negotiations and fierce competition, to a French-Japanese consortium led by Spie-Capag of France and including Nippon Kokkan and Toyo Engineering of Japan.

It involves the construction of a 1,600km pipeline connecting the Hazira gas fields near Bombay to six large gas-based fertiliser plants in Central and Northern India.

US 'will keep pressing Japan on trade surplus'

WASHINGTON will keep applying pressure on Japan to reduce its huge trade surplus with the US, Mr Malcolm Baldrige, Commerce Secretary, said yesterday, Reuter reports from Tokyo.

"That will always be a pressure point until we can say the Japanese people are really not only taking down their trade barriers, but also are buying foreign goods," he adde.

"We clearly cannot keep running an ever-larger trade deficit in the US (while) other countries are running increasing trade surpluses."

"I'm not saying we should not run a deficit at all, but our deficit has to show a downtrend."

Mr Baldrige forecast last month when he visited Tokyo that the deficit with Japan could rise to more than $60bn (£39bn) next year from $55bn-$60bn in 1986.

Mr Baldrige said he felt that Mr Yasuhiro Nakasone, Japan's Prime Minister, was in favour of a plan to turn the focus of Japan's economy away from exports, but Japanese bureaucracy and industry were "dragging their feet."

China to ease credit for joint ventures

BANK of China is to relax its tight credit policies to give loan priority to enterprises involving foreign investment, Wang Deyan, the bank's president said yesterday, AP-DJ reports.

The bank would, in particular, extend help to technology-intensive companies and manufacturers of products for export, he declared.

His remarks, at a conference in China on credit for Sino-foreign enterprises, follow complaints by many foreign joint ventures that they have been unable to obtain adequate supplies of foreign exchange or yuan, China's domestic currency.

The currency shortages have affected many companies, including such prominent joint ventures as Beijing Jeep, a joint venture with American Motors Corp., and Shanghai Volkswagen Automotive, a joint venture with Volkswagen AG.

Wang said the central bank will amend regulations on the issue of credit for enterprises with foreign funds in a bid to create better conditions for their development.

The bank will also try to raise more capital, possibly by attracting deposits of the foreign-invested enterprises, seeking loans from international banks, and selling bonds at home and abroad.

Foreign enterprises have complained that the cash shortage, particularly in foreign exchange, makes it extremely difficult to do business in China.

The Bank of China and other Chinese banks have been reluctant to release the nation's dwindling foreign reserve supplies, and since last year have severely restricted general credit issuances to slow down the overheated economy.

Wang said that as China's credit squeeze continues, "we have to figure out a way to stop people from committing Chinese investment capital to projects not in accord with the state plan."

Wang stressed that the central bank has tried hard to support the development of joint ventures and other foreign-invested companies.

It has issued total credit of $600m (£392m) in foreign exchange and yuan 2.6bn (£650m) over the past five years.

Reaction to the defeat of the Jenkins bill in Congress is tinged with concern

'Heavy guns' warning to Taiwan

BY ROBERT KING IN TAIPEI

TAIWAN's textile industry is rejoicing over the failure of the US Congress to override a presidential veto of the Jenkins Bill, which would have severely cut back imports of garments and textiles.

But industry officials cautioned that other even heavier guns may be brought to bear against imports from developing nations in the future.

Mr Philip Chen, deputy director of the Taiwan Textile Federation, which oversees quota distribution and exports of textiles and garments, said: "On the one hand we are very pleased with the outcome. On the other, we are still very alarmed that the protectionist measures won't go away with the Jenkins Bill.

"Other things might follow which could be considerably worse.

"If the Jenkins Bill had passed it would have damaged us severely. Many factories might have shut and we would have lost 30 per cent of our exports to the US.

"People in the industry here keep telling themselves that they support Mr Reagan's policies; but they still have to worry about country-wide protectionist sentiment." Congress "could seek other ways" to combat the imports.

Last year, Taiwan exported $6.2bn (£4bn)-worth of textiles to the US, of which $2.5bn or about 40 per cent, went to the US.

During the first six months of this year, according to customs statistics, worldwide exports of garments and textiles reached $3bn, or about 18 per cent higher than the same period last year.

Taiwan's disagreements with the US over the spirit of fair trade have risen in recent months in areas besides textiles.

Last week, for instance, Mr Reagan invoked Section 301 of the 1974 Trade Act over Taiwan's failure to implement terms of a five-year-old trade agreement.

In addition, negotiators from both countries are still squabbling over high tariffs imposed on US exports to Taiwan, while Taiwan still enjoys preferential tariff treatment on its exports to the US.

'On the one hand, we are very pleased with the outcome. On the other, we are still alarmed that protectionist measures won't go away with the Jenkins bill.'

South Korea breathes easier

BY STEVEN B. BUTLER IN SEOUL

SOUTH KOREA breathed easier yesterday, with the news that the US House of Representatives had sustained the Presidential veto on the Jenkins Bill, which would have forced a sharp cut in South Korean textile exports to the US.

Although the Government issued no formal comment on the Congressional vote, officials were plainly relieved.

It was nonetheless a bittersweet sentiment, since in order to help efforts to defeat the bill, Seoul reached an eleventh-hour agreement with the US to limit the growth of textile exports until the end of 1989.

The Ministry of Trade and Industry has calculated that the restrictions will mean some $1.4bn (£915m) in lost sales over the period.

Newspapers in Seoul also voiced concern about the strong support for the Jenkins Bill.

Even though Congress did not have enough votes to override the veto, South Koreans are deeply worried that strong protectionist sentiment in the US Congress could yet result in legislation that would cut deeply into their exports, which account for over one-third of the nation's Gross National Product.

Thailand cautious as HK greets result

BY OUR TRADE STAFF

HONG KONG welcomed the defeat of the US textile Bill, and officials in Singapore and Thailand also breathed a sigh of relief.

The industry in Thailand, however, added a note of caution, pointing out that the pressure for protectionist measures in the US had not been halted.

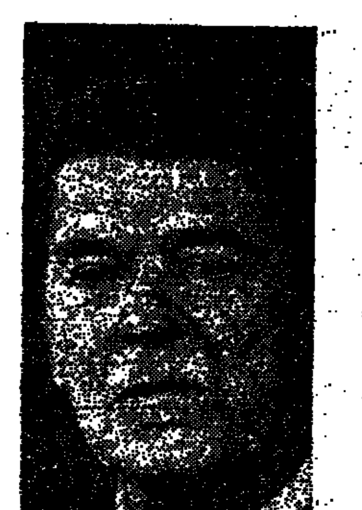
The House of Representatives on Wednesday sustained President Reagan's veto of the Jenkins bill by a vote of 276 to 149—seven short of the two-thirds majority needed to override it.

The bill, designed to trim a huge trade deficit and protect struggling US producers from overseas competition, would have curbed textile imports from 12 countries, most of them in Asia. Hong Kong, Taiwan and South Korea would have been hit hardest with cuts of 14-30 per cent.

Mr Hamish Macleod, Hong Kong's director of trade, said of the bill's defeat: "This is a victory for common sense."

Industry officials in the British colony, which could have lost jobs and millions of dollars of export earnings, were equally relieved.

Chinese officials declined immediate comment but they have said protectionist measures would restrict severely exports and force a cut in imports from the US.



President Reagan

A Singapore Foreign Ministry spokesman said foreign ministers of the Association of South-East Asian Nations (Asean) had sent a letter to Congressmen before the vote urging them to sustain the veto.

Mr Viroj Amatakunchai, president of the Thai Garment Manufacturers Association, said the vote had averted a major setback for Thailand's textile and garment industry, which exported about $290m-worth (£189m) of goods to the US last year.

Canada optimistic over Turkish N-project

BY DAVID BARCHARD IN ANKARA

TALKS BETWEEN the Turkish Government and Atomic Energy of Canada (AECL), the Canadian nuclear power corporation, are still continuing, an AECL official said yesterday in Ankara.

Mr J. C. Paqin, head of AECL's Ankara office, said: "Dialogue with the Turkish Government is still continuing and I am optimistic about reaching a successful conclusion."

He was commenting on press reports that plans to build a 635 Mw Candu nuclear reactor at Akkuyu on the Turkish Mediterranean coast were now dead.

AECL has been negotiating with the Turkish Government over the project for more than three years.

Most of the technical details have been agreed, but the Canadian Government has yet to give the green light to the financing arrangements for the project which would be built along the lines of the so-called "Ozal model," a joint venture basis with a 15-year life.

Several members of the Canadian Cabinet are thought to feel that the Ozal model would place an unacceptable heavy burden on Canada which would have to supply both short-term financing and carry long-term risk.

NEI Parsons of the UK would build the turbines for the plant if the project is given the go-ahead.

Negotiations between Turkey and the three Western consortiums each proposing to build coal-fired power plants of around 1,400 Mw are at an advanced stage. The Canadian project is probably competing for international finance with them.

● In a bid to revive Turkey's flagging trade with one of its key middle Eastern markets, Mr Mustafa Tinaz Titiz, Minister of State, flies to Tehran today.

Iran, three years ago Turkey's largest market in the Middle East, has found it steadily more difficult to keep up with purchases from Turkey.

A Government official said talks would concentrate on ways of reviving the economic co-operation agreement between the two countries. Iran is understood to be pressing Turkey to buy some finished products.

The mission will also discuss long-standing projects to build natural gas and crude oil pipelines between Turkey and Iran. Some of these schemes date back to the 1960s and though both countries are eager to discuss them they seem unlikely to go much further unless international financing can be found.

Turkey already has two crude oil pipelines linking the Mediterranean port of Yumurtalik to the Kerkuk oil fields in Iraq. Work will begin shortly on a gas pipe from the Bulgarian border which will run as far as Ankara.

Ottawa move on steel imports

By Robert Gibbens

Canada will require import permits for foreign steel entering Canada from September 1 next.

The Government says the permits will provide vital information on where heavy carbon steel imports are coming from.

The Canadian steel industry says imports took 22.7 per cent of the domestic market in 1985.

While customs inspections on all imports of pipe and tube are in force, the new move is designed to provide information needed to take anti-dumping measures.

UK NEWS

Move to defuse row over ban on GCHQ unions

BY DAVID BRINDLE, LABOUR CORRESPONDENT

THE GOVERNMENT yesterday backed away from any further conflict over the ban on unions at Government Communications Headquarters (GCHQ) at Cheltenham in western England by agreeing to review penalties imposed on union members and to take no other action against them.

In 1984 the Government banned union membership among the estimated 7,000 employees at the intelligence-gathering centre, on the grounds of national security.

Yesterday's move was seen to indicate a wish on the part of ministers to shelve discreetly an issue that has brought the Government widespread criticism and proved repeatedly to be a thorn in its side.

The likely consequence is that a nucleus of about 50 union members will remain at GCHQ and its outstations, at least until the next general election. Union leaders believe a Labour or SDP-Liberal Alliance government would scrap the ban.

The Government's concessions came yesterday in a letter to the Civil Service unions from Sir Robert Armstrong, Cabinet Secretary and Head of the Home Civil Service, following talks on Wednesday night.

Sir Robert reaffirmed that the Government would not withdraw the penalties - pay cuts totalling between £1,536 and £2,196 over two years - imposed by Sir Peter Marychurch, GCHQ director, on at least 15 staff who joined or rejoined unions after agreeing not to do so under the 1984 ban.

However, Sir Robert went on to propose the setting-up of an "ad hoc tribunal" to bear appeals against the penalties. This was, he said, put forward in view of the withdrawal of GCHQ workers' rights to take complaints to industrial tribunals.

Union leaders saw this as clear evidence of the Government wanting to let the issue rest. Mr Peter Jones, secretary of the Council of Civil Service Unions, said: "It means that we will have a hard core of 30 or so 'Co-optants' (union members who never accepted the ban) and 20 or so rejoiners right up until the election."

Builders say private housing is booming

A BOOM year for private sector house-builders is revealed by the latest six monthly returns from the National House-Building Council, with more houses being built and soaring prices for new homes, Joan Gray writes.

The NHBC's figures show that the number of new houses started in the second quarter of 1986 is up 13 per cent on the second quarter last year for the first six months it is up 8 per cent on the same period last year.

During the last quarter alone, the average start price for a new house in Greater London has jumped by a staggering 23 per cent from £62,000 to £76,000; the average start price of a new house in Britain as a whole has risen from £46,000 to £49,000 in the last quarter.

"This can only increase the confidence of house-builders," says the council.

☐ BRITISH TELECOM said it had won a major contract, initially worth £26m, to set up Europe's largest private satellite network to bring additional live television coverage to betting shops all over the UK.

☐ AN EXTRA £1bn a year of public spending on higher education plus increased contributions from industry by way of a "remissible" tax are proposed by the Social Democratic Party in a consultative paper published in London. "Britain's higher education system is falling behind" its counterparts in competing countries, the SDP says. The appropriate question is probably not whether the UK can afford to expand the system, but whether it can afford not to.

☐ GOVERNMENT is to set up a unified pollution inspectorate within the Department of the Environment. The new inspectorate, to be called HM Inspectorate of Pollution, will bring together four agencies with responsibilities for air pollution, radiochemicals, hazardous waste and water. It will come into being on April 1 1987.

Only 29% unemployed 'genuinely seek work'

BY GEORGE GRAHAM

ONLY 29 per cent of the officially registered unemployed are genuinely without a job and desperate for work, according to a new survey on unemployment and the black economy.

The survey, carried out on behalf of the Committee for Research into Public Attitudes, tries to build up a picture of the various groups that make up the total of 3.2m unemployed. In addition to the 900,000 to 1m genuinely unemployed, the survey uncovers 500,000 to 600,000 - 17 per cent of the total - who are caught in the poverty trap.

The committee identifies three groups which, it feels, should probably not be included in the official unemployment statistics. Some 350,000 to 450,000 people, mostly older workers, have virtually retired on the dole, it says.

The survey indicated that 320,000 to 420,000 people have come to consider themselves unemployable, because of health, physical or mental disability or unfortunate handicap, while 210,000 to 290,000 have been made redundant and are now supplementing a good pay-off with social security benefits without looking for work.

THE PROPERTY MARKET BY WILLIAM COCHRANE

Looking for a slice of the property cake

Prudential Corporation's takeover of Chestertons Residential, one of London's leading estate agents, marks a further stage in the financial institutions' invasion of the property world. Christopher Walls argues that the property business must acquire broking and corporate finance skills if it is to avoid becoming the second class citizen of the investment world

BRITAIN'S new financial conglomerates are set to chew their way into the property services sector. There are three main reasons why.

One reason is the desire of the new conglomerates to offer a total in-house service for all capital markets (the so-called one-stop shopping or supermarket approach as opposed to the boutique approach). This is partly a matter of fashion. There is also some logic in the argument that fund management businesses should cover property as well as gilts and equities.

In addition, financial service groups have a natural desire to diversify the sources of their fees as much as possible. Their clients may be investing in property — the third most important UK capital market — and it seems curious that fund management organisations — which may have quite strong views on the relative attractiveness of different capital markets — cannot get their hands on some of the fees available. In this context it is worth noting the experience of the US, where Merrill Lynch is now, in terms of fees, the second largest real estate broker.

The second main reason for the likely inroads of the conglomerates is the very low quality of strategic advice the property profession is seen to have given to institutions. Senior investment managers are often savage about the sort of advice they receive on property investment from estate agents, which they regard as shoddily thought out and lacking any analytical perception.

Where the advice is based on research rather than on gut feel or seat of the pants, that research is too often either extremely thin, intellectually suspect, or both. However, it is true that in the past two or three years a small number of surveying firms have made great efforts to improve the quality of their research, and have succeeded admirably in most respects. But the profession as a whole still has a long way to go.

For far too long we have been given as the reason for investing in property such glib catch phrases as "bricks and mortar," "hedge against inflation," or "long term investment." However, to take just one example, there was a total failure by the property profession to explain why property was a long-term hedge against inflation. Was property a hedge because of some virtue intrinsic to property (and not available to equities)? Or was it a hedge because of a combination of coincidences (as I argued several years ago and would argue now)?

All too often the property profession seems to outsiders to have been guilty of taking the easy option, of making the glib response—either because it did not want to think about the principles underlying investment in the property market or because it was incapable of thinking about such things.

Either way, the sheer lack of credibility it now carries with senior fund managers means the way is wide open for organisations seen to have no particular axe to grind to offer advice on property, which, rightly or wrongly, will be judged to be more objective and a good deal more carefully thought out than the advice offered by the property profession in the past.

What is lacking is properly considered strategic advice on property—that is, the outlook for investment in real estate in absolute terms and, crucially, relative to other capital markets. At present, apart from a permanently bullish attitude, the advice the property profession gives institutions is technical rather than strategic and it is not the technical advice I am criticising.

The analogy with the stock market is that advice from an estate agent at present is rather like advice from a Stock Exchange dealer—the dealer can give a price, size and feel for the market, but he is certainly not going to be giving strategic advice on investment.

Of course, I am not saying stockbrokers do not get it wrong. But at least when we do get it wrong we are seen to be getting it wrong for the right reasons. In the property profession's case it is obvious that when it was getting it right, it was getting it right for the wrong reasons and nobody objected too strongly then. But to get it wrong for the wrong reasons (as the profession has done in the recent past) is unforgivable.

Even those firms which spend a lot of money on research are, in my view, failing to deal with this fundamental problem. All too often the research is on detail rather than strategy—a classic case of woods and trees.

The property profession must wake up to the fact that there are, in Britain alone, two other major capital markets whose interaction has bad, and will continue to have, a major influence on the property market.

As a senior investment manager of a major insurance company's property portfolio said recently, agents' reports on property compete directly with those produced by brokers and banks and at present more faith is being placed in what the brokers are saying. How can the property profession expect to get the strategy on its market right if it does not have some knowledge of the two other major UK capital markets?

The root of this problem lies partly in education. In that the profession's training is vocational. In my organisation I am surrounded by people with degrees in chemistry, philosophy, classics, mathematics and history, as well as by accountants and actuaries. There is a diversity of background, experience, training and views which does not seem to me to be available to the property profession as presently organised.

If the property business wants to compete with merchant banks and the brokers on more equal terms then it must open itself up to other disciplines.

The third main reason why I believe the property world will be invaded by the financial world is that we could, over the next few years, see a radical change in the nature of institutional investment in the real estate market. Most investors will by now be familiar with the various schemes currently proposed for the unitisation of property. This carries enormous implications for the nature of future investment in property and for existing institutional portfolios.

The fundamental difference between equities and property is the latter's relative lack of liquidity and from this flow many of the other differences, such as the imperfect nature of the market and the valuation problem. Injecting much greater liquidity into the real estate market will remove one of the single biggest strategic inhibitions most institutional investors have about property, and could revolutionise investment in the sector.

For example, I recently had a discussion with about half a dozen major institutions about their attitude to property investment. I was talking to the people who allocate the cash flow between gilts, equities and property. The subject of syndication/unitisation came up and was promptly dismissed on the grounds of "lack of control."

When I pointed out that exactly the same could be said of buying shares in GEC or ICI there was a shuffling of feet until someone said: "Ah, well at least I can get out of GEC or whatever"—in other words, liquidity.

However, if my analysis is correct, then the consequence is that the property profession is going to have to acquire broking and corporate finance skills—unless, of course, it wants to see even more of its business passing into the hands of the financial conglomerates which will shortly be dominating the financial world or unless it wishes to become a subsidiary of those same conglomerates. However this means there must be a revolution in attitudes towards the structure of the property profession. Otherwise, it will slowly, but surely, become the second class citizen of the investment world.

Christopher Walls is a property analyst at Kleinwort Grieveson Securities

Legal Notices

IN THE MATTER OF
RIMSGEE LIMITED
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the creditors of the abovenamed Company, which is being voluntarily wound up, are required, on or before the 15th day of August, 1986, to send in their full Christian and surnames, their addresses and descriptions full particulars of their debts or claims and the names and addresses of their Solicitors (if any), to the undersigned
PATRICK WALTER JOHN HARTIGAN
of 1 Wardrobe Place,
Carter Lane, London EC4V 5AJ
the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 15th day of July 1986.
P. W. J. HARTIGAN, FCCA,
Liquidator
This Notice is purely formal. All known Creditors will be or have been paid in full.

IN THE MATTER OF
GRANDMIX LTD.
(formerly
BRIDGE MEDICAL DIRECT LIMITED)
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 12th day of September, 1986, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims and the names and address of their Solicitors (if any), to the undersigned Patrick Walter John Hartigan of 1 Wardrobe Place, Carter Lane, London EC4V 5AJ, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 30th day of July, 1986.
PATRICK WALTER JOHN HARTIGAN,
Liquidator.

Nick Garnett looks at whether gloom in manufacturing is temporary

Mixed view of engineering decline

"IT'S JUST cyclical. Most of us will be back making bigger profits next year and in 1988," said one company head, assessing prospects for the UK engineering industry.

"Well I think it's deeper than that. I think it's about long-term manufacturing decline and Britain is getting weaker," said another.

The UK's manufacturers, in particular its engineering companies, have been digesting some pretty unpleasant things about themselves from at least four separate quarters in the past two weeks.

For a start, a small clutch of company results and the warnings about future company performance that have come with them have sent shivers through the heartlands of metal handling.

Guest Keen and Nettlefolds' share price tumbled 16 per cent on Wednesday as the group revealed some awkward trading trends that had only emerged in the previous two months.

The TI Group, another leading Midlands-based engineering conglomerate, yesterday offered up mid-term profits much poorer than the City expected, and its shares also dropped.

The scrap metal to machine tool 600 Group, in announcing lower yearly profits last week, warned of further rationalisation, reminding everyone that cuts and closures are not simply facts of the past.

A week ago the latest CBI Trends Survey showed British manufacturers in general less optimistic than they have been since 1982. Consumer demand was keeping some sectors bubbling, but the capital goods industries, most of them composed of engineering companies, were less optimistic. At the very least the CBI survey confirmed a downward trend since the spring of 1985.

This week, the British Chambers of Commerce weighed in with a gloomy view of economic prospects with domestic orders sliding and exports shrivelling up.

A number of industries that are barometers of at least part of the UK's engineering sector have also been recording some distinctly unencouraging statistics for the first six months of this year.

For example the British Forging Industry Association, whose member companies make 80 per cent of the UK's forging output, is finalising its figures, which will show a 12 per cent fall off in output as against last year. This comes after seven years of remorseless decline.

The National Association of Steel Stockholders is also worried about sales trends among its 350 members. Sales of steel to end users is down 9 per cent against last year.

Finally, the Central Statistical Office's index of production volume comparing provisional statistics for April and May with the first quarter of the year also seems to reinforce the view that demand is slipping across a range of engineering sectors. Vehicles were down 6.5 per centage points, electrical and instrumentation by 4.5 points, aerospace and shipbuilding by 3 points and metal goods – which includes hand tools and fasteners – down 1 percentage point.

However, the big mechanical engineering sector, which encompasses the broadest range of engineering from process plant to machine tools and forklifts, was up 4 percentage points. Some in the industry, however, believe these latter statistics present an over-rosy view.

But there are two widely different views now within engineering about what, if anything, all this recent, rather bleak news means.

One view is that this is a cyclical problem. Engineering moved out of the doldrums in 1983 and 1984 but, along with the rest of the economy, is stuck half way through a downcycle which began in the second quarter of last year.

The negative effects of the fall in oil prices – hitting all the engineering sectors serving the North Sea, for example – have exacerbated this trend before the beneficial impact of lower oil prices can work their way through.

On this view, UK engineering is far too large to be talked of as a homogeneous grouping. Excluding metal production, but including a whole range of engineered products from cars to computers, engineering in Britain employs 2.2m. Its total sales last year was £86bn, and the UK was an exporter of £30bn worth of engineered goods and an importer of £32bn worth.

Separate sections within engineering are certainly in varying states of health. For example, those companies most dependent on aerospace are widely regarded to be performing reasonably.

On the other hand the UK has become a leading world producer of tractors, and the agricultural equipment makers have been emphasising over the past few months that the outlook for sales this year is much worse than they expected.

In announcing its half yearly results, GKN said it expected to be back on the profit trail next year. A better perspective on whether this view of cyclical activity is shared by most of engineering is likely to be available when the Engineering Employers Federation produces its economic trends survey in October.

The other view, most widely voiced by production directors, shop stewards, suppliers to the engineering industry and academics, is based on the belief that most of the past productivity gains during the past few years have been generated by cost-cutting rather than by adopting thought-out policies on where a company's markets really lie.

Research and investment is still poor, and while British companies have worried at finding niche areas in which to live, they are still small in world league terms and supported by an ever smaller domestic manufacturing base.

"I do not know why demand has fallen," says Mr Richard Rawlins of the steelstockholders association. But I think it is because British manufacturing is continuing to decline."

Risks of cost-cutting, Page 6

Results put market in mood for bad news

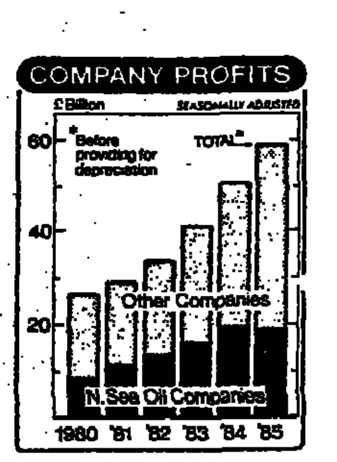
BY GEORGE GRAHAM

AFTER FALLING sharply for two days in a row, the London stock market is now in the mood to look for bad news. Poor results from Guest, Keen and Nettlefolds and TI in engineering, topped off with disappointment at the performance of Barclays Bank, have started to make some stockbrokers look anxiously at their profits forecasts.

"We are starting to get more and more nervous," said Mr George Hodgson, economist at broker Scrimgeour Vickers. "Any hopes of a third quarter recovery have been wiped out and we are starting to worry about the fourth quarter."

Scrimgeour revised its forecast for profits growth in the company sector, excluding oil companies, downwards in May. It now expects an advance of 15 per cent this year and next, compared with its earlier prediction of 22 per cent in 1986 and 19 per cent in 1987, but Mr Hodgson is considering a further downwards revision.

Other brokers, however, were never as optimistic as Scrimgeour about the prospects for profits growth this year and for the most part they are sticking to their forecasts, despite the recent bout of poor results from individual companies.



At Phillips & Drew, for example, Mr Bill Martin has reaffirmed his earlier forecast of 16 to 17 per cent profits growth this year, slowing to 11 to 12 per cent growth in 1987.

"The renaissance of profits witnessed over the past few years is well on track and is not heading for the buffers," he says.

The renaissance does not apply to all companies. Oil producers, pinned between the collapsing crude oil price and the weakening dollar, are likely to see their profits halved this year, according to many analysts, and this severe downturn will affect the picture for companies as a whole.

Official statistics show gross trading profits of industrial and commercial companies in the first quarter 4.6 per cent below the same quarter of 1985. This figure encompasses a 40 per cent fall in North Sea oil companies' profits but a 16 per cent rise for other companies.

It is a thankless task to try to relate these official figures, which end up covering over 100,000 companies, to the stock market. Within a stockbroking firm, it is often equally thankless to try to match the economists' forecasts of corporate profit growth for the whole economy with the predictions of individual analysts for the company sectors they cover.

The economists are usually a little too pessimistic and the sector analysts too optimistic in the forecasts, says Mr Keith Skeoch, chief economist at broker James Capel, whose overall forecast of 11 per cent profits growth for non-oil companies is at the low end of expectations.

In addition, financial companies, which are not included in the Government's statistics, are widely expected to turn in much better profits growth this year than their industrial and commercial counterparts, which should boost profits for the stock market as a whole.

The two main elements to profits growth are volume and profit margins. Confidence in the first has weakened, as evidence of an economic slowdown in the first and second quarters has mounted, but many analysts remain confident of the second.

"Input prices are still falling, while output prices are rising sharply by comparison. This means a significant widening of margins, even though unit labour costs are rising rapidly," says Mr Andrew Smith of broker Laing & Cruickshank.

A further factor is the exchange rate, which has contrary effects. Some analysts prefer to look at the benefits to UK exporters resulting from a lower pound, while others look gloomily at the effect on profits from overseas subsidiaries.

Factories and Warehouses

Investments For Sale

Clubs

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MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

A 'scorched earth' survivor rebuilds

David Owen reports on the Chicago-based Brunswick Corporation

TODAY, MORE than ever, the pet recurrent nightmare of many a corporate chairman begins with a telephone call warning that his company is about to become the object of a hostile takeover attempt. For K. Brooks Abernathy, then chairman and chief executive officer of Brunswick Corporation, the Chicago-based leisure and industrial products group, the dream became reality on January 24 1982—in the closing stages of Super Bowl XVI between the San Francisco 49er and the Cincinnati Bengals.

The call to Abernathy was from Joseph Albrandi, of the *Los Angeles*-based Whittaker Corporation. The bid was $26.50 a share, worth $275.6m, plus an offer to buy $30m in convertible debentures. In Brunswick's view, what Whittaker was really after was its Sherwood Medical Products Division, attractive to Whittaker to complement its medical distribution business.

Within six weeks, the company had adopted the so-called scorched earth defence policy in a bid to retain its independence, disposing of Sherwood to American Home Products in a stock swap arrangement valued at $425m. All proceeds from the deal went into Brunswick shareholders' pockets.

Forty-five days later, Jack Reichert, who had served a 25-year apprenticeship in the company's bowling and Mercury marine engines divisions, was in charge as Abernathy's successor. "I was given fifteen minutes' notice before the shareholders' meeting," Reichert observes, with the air of a man who has told this tale many times before. "They asked me if I would like to give an introductory address. I told them, no, I thought that could wait."

But he kept them waiting for only a month before announcing one of the biggest shake-ups in the group's 137-year history.

Decentralisation was the corner-stone of his plan. Since beginning *life as a Cincinnati* woodworking shop founded by Swiss immigrant John Brunswick in 1845, the company had cast its net wide. While *leisure industries (in the early* years, billiards and bowling) had always provided the *leitmotiv* of its portfolio by 1982 Brunswick had diversified into several specialised activities besides medical products, including defence, valves, filtration technology and mass transit components.

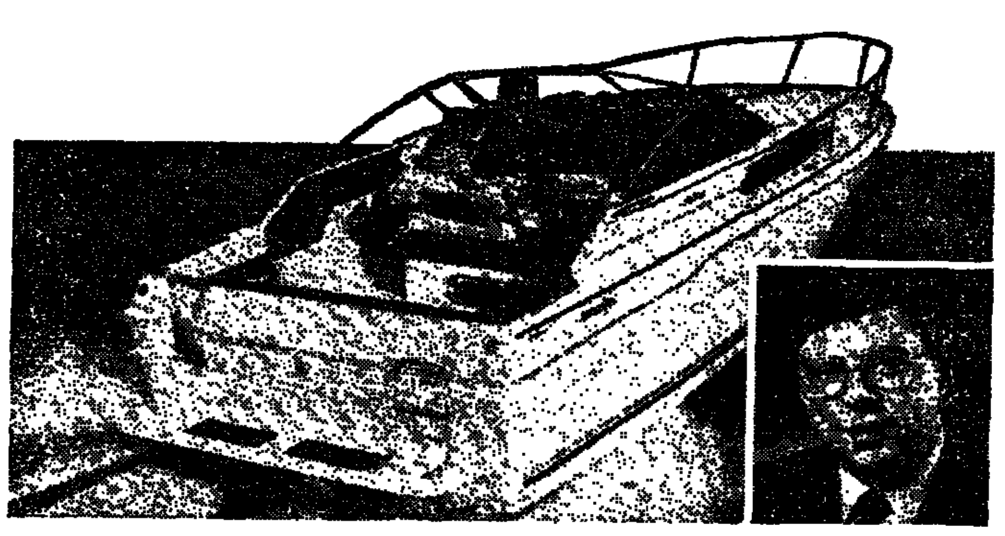
In particular, the company had embarked on a spending spree fuelled by the bowling boom of the late 1950s. Acquisitions from this period included the Zebco fishing reel division and Mercury.

When Reichert took the helm, the number of corporate staff presiding over this far-flung empire had swollen to 550. Together, they consumed about 4 per cent of Brunswick's total sales revenues. Today, that figure is nearer 180. "Corporate people don't create wealth," stresses Reichert, by way of explanation. "The operating divisions do. Corporate staff just preserve wealth and, where necessary, reallocate it."

In reducing corporate staff numbers, Reichert simultaneously took his axe to the company's cumbersome 10-tier supervisory pyramid. First to go was his own previous position as vice president and chief operating officer, which he equates to being vice president of the US—"not a terribly exciting job."

Brunswick's eight divisional heads were told to report direct to him and notified that their level of corporate spending authority had been hiked by anything from four to ten times. "I look at each divisional manager as president and chief operating officer of his company," says Reichert. "The guy who runs Zebco thinks he spiritually owns it. You just don't get that in a centralised environment."

In assessing Brunswick's condition after the disposition of the medical division, Reichert pinpointed one circumstance generally overlooked by analysts who considered Sherwood to be the "crown jewels" of the company—namely, its position as dominant producer in a number of mature markets. If he could ally the benefits of this advantageous position, with the fruit of a drive to reduce costs and enforce rigid standards of quality control, he reasoned that the group should quickly be able to re-establish a modicum of financial security.



Jack Reichert: enjoying a buoyant market for Mercury marine engines

He was right. After struggling through 1982 with a loss from continuing operations of $19.8m, 1983 earnings totalled $66.1m — close to the 1981 record. The record would have been broken, according to Reichert, but for the $2m cost of a share handout to the company's employees. "Our people now own $27m worth of our stock," says Reichert with evident pride. "The stock price is posted on union bulletin boards every day. If you own something, you don't hurt it." Certainly, that initial $2m investment seems small beer today; much improved productivity helped propel net earnings just beyond the $100m mark in 1985.

As important for the sake of Brunswick's future independence has been the surge in the company's market value. Immediately after the Sherwood *divestment, the group's* outstanding 11.7m or so shares could have been picked up for as little as $165m.

Today, with Brunswick stock split 4:1 since Reichert's takeover, the price would be $1.55bn — or around three times book value. When Whittaker made its offer for the company, the stock was actually selling at a discount to book value. As *one analyst remarked at the* time, "That's the kind of thing that makes a pretty takeover picture." Says Reichert in retrospect: "I think the main defence against takeover *is* to run a company so well that nothing can be gained from breaking it up."

Of course, growth on this *scale could not have been* achieved without a certain amount of good fortune. Brunswick's lucky streak has been the continued strength of the boat business *worldwide. Even the* demographics — the so-called Yuppie effect — are working in Mercury's favour.

The swelling ranks of affluent young professionals, it seems, tend not to opt for the bottom of the range when buying their first outboard motor. This benefits Mercury, which *specialises in anything from* 90 hp and above. With US retail boat sales up a further 25 per cent so far this year, the marine sector is likely "to continue to *be a standout performer,*" according to Steven Eisenberg, an analyst with Bear Stearns in New York.

Nor has the surging yen done any harm—although Reichert maintains that Mercury would still be competitive with Yamaha, the main Japanese manufacturer and a former joint venture partner, at a 190 to 200 yen-dollar exchange rate (it is currently at 154), a stark turnabout from the situation in 1983 when the Japanese company, an outright competitor for the first time, enjoyed a 30 per cent cost advantage.

Approaching the fifth anni*versary of Joseph Albrandi's* telephone call, Brunswick's main cause for concern, apart from continued losses in its bowling equipment and supplies division and an oil-related downturn in the valve business, appears to be its heavy reliance on Mercury Marine.

Despite positive contributions from Zebco and the defence division (the company is a dominant supplier of camouflage, portable shelters, and radomes on long-term contracts), Mercury in 1985 accounted for over 51 per cent of net sales and exactly two-thirds of operating earnings. While projections for the division remain positive at present, the leisure sector can be notoriously fickle, as the company discovered to its cost when the bottom fell out of the bowling market in 1962.

Improved sales in the aerospace/military sector, which accounted for 20 per cent of business in 1985, should, the company hopes, help the valve and control division at least partially to overcome the slump in oil industry demand.

The emphasis in the Brunswick division, meanwhile, is on *expanding international markets*, together with an accelerated restructuring programme aimed at *improving* efficiency and cutting costs in a sector where *the scope for product* innovation is now limited.

While Reichert feels that the money Brunswick has invested in lowering costs "should help eliminate the troughs," it is a problem which the company recognises. "We would like to strike a better balance by building returns elsewhere," says one spokesman.

Ultimately, this equilibrium may be achieved by acquisition. "We are generating more cash than we can intelligently use," says Reichert. "However," he stresses, "we won't milk our businesses to buy into new areas." Defence and leisure are the two sectors earmarked by most for prospective Brunswick sorties. "We are the largest bowling services operator in the world," hints Reichert. "I would think it is logical for us to broaden into leisure services."

The problem is, as another company executive pointed out, that, with Brunswick's return on equity at such high levels, "it is hard to find something that isn't dilutive."

Productivity

The risks of cost cutting

BY NICK GARNETT

PRODUCTIVITY improvements sought solely by traditional cost cutting methods rarely improve a company's real competitiveness and in fact usually harm it.

This is the main conclusion *of a disturbing analysis of* 25 US companies. It highlights the conundrum that cost cutting usually results in only a trickle of genuine productivity improvements.

Companies simply cannot reduce costs to the extent of recapturing competitiveness and the process usually hurts as much as it helps, says the study's author, Wickham Skinner, a Harvard Business School Professor of Business Administration*.

"It (cost cutting) is an instinctive response that absorbs managers' minds and diverts them from more effective manufacturing approaches," says Skinner.

Though the study confines itself to the US, its conclusion could be applied to large chunks of British and some other European manufacturing and is one that the better British factory managers have known for some time.

Seizing on inefficiencies and waste as a route to better pro*ductivity has been the strategy* most keenly adopted by British manufacturers during the hard times they have gone (and many still are going) through.

Yet their productivity as measured by output divided by the labourforce still remains stubbornly below many of their foreign competitors, even accounting for utilisation of factory capacity.

That the sums have not appeared to work out the way they should has generated an ever shriller cry from Government ministers, the CBI and other employer pressure groups that the fault lies embedded in *wage costs. It clearly lies* as much if not more in the way managers look at their business.

"The harsh fact is that generations of production managers have been stunted by this efficiency-driven mentality," says Skinner.

The study purports to show in the US context why the more limited approach can be disastrous. Chipping away at productivity is mostly concerned with direct labour, "although direct labour costs exceed 10 per cent of sales in only a few industries."

The approach focuses excessively on the efficiency of factory workers, detracting attention from what is often the real nub *of a company's difficulties* —the structure of its production system.

No support

It also tends to ignore other ways of improving competitiveness like quality, reliability, and better production flexibility and does not provide for or support a coherent manufacturing strategy.

"Most of the productivity-focused programmes I have seen blithely assume that competitive position lost on grounds of higher cost is best recovered by installing cost-reduction programmes. This logic is tempting but wrong," argues Skinner.

"These programmes cannot succeed. They have the wrong targets and misconstrue the nature of the competitive challenge they are supposed to address. Worse, they incur huge opportunity costs. By tying managers at all levels to short-term considerations, they short-circuit the development of an aggressive manufacturing strategy."

According to the Skinner analysis other things suffer. Such an approach hinders innovation. "When process costs and constraints drive both product and corporate strategy, flexibility gets lost, as does the ability rapidly to introduce product changes or develop new products."

Another flaw in the way productivity is sought by simply lowering costs is that there is frequently a clash between this measurement of productivity and the cost demand of innovation, argues Skinner. "Managers under relentless pressure to maximise productivity resist innovation. Preoccupied as they are with this week's cost performance, they know well that *changes in processes or systems* will wreak havoc with the results on which they are measured."

Brutal pursuance of output with little consideration for anything else also creates a poor working environment. It creates a "negative, penny-pinching, mechanistic culture in most factories—a culture that has driven out and kept away creative people at all levels."

Some managements might view that last point from Skinner as naive. Many of the features he would like to see in manufacturing plants can be most readily found in Japan but are often accompanied there by pretty harsh output orientated working environments.

Manufacturing strategy, says Skinner, should follow a logical study of a company's markets and products and its requirements among other needs in terms of plant location, equipment, production and inventory control systems and workforce management policies.

* *The Productivity Paradox. Harvard Business Review. July-August, 1986.*

Business courses

Management accounting, Brussels. September 8-11. Fee: Non-members BFr 82,700; members (AMA/I) BFr 74,400. Details from Management Centre Europe, *Postbus* 95, *NL*-3417 ZH Montfoort, The Netherlands. Tel: 32/2/516/19.11. Telex: 21917 mce b.

No-nonsense management development for women: unlocking women's potential, Brunel. September 10-12. Fee: £650 per pair. Details from the secretary, Management programme, Brunel University, Uxbridge, Middlesex UB8 3PH. Tel.: 0895 56461, ext. 215.

Anticipation and decision making: the need for information, Monte Carlo. 39th ESOMAR Congress. September 14-18. Fee: ESOMAR members SwFr 745; non-members, SwFr 940. Details from ESOMAR Central Secretariat, JJ Viottastraat 29, 1071 JP Amsterdam, The Netherlands. Tel: (020) 64.21.41. Telex: 18535 esmar nl.

15th International symposium on automotive technology and automation — with particular reference to computer integrated manufacturing, Switzerland. October 6-10. Fee: Registration SwFr 1,100. Details from ISATA Secretariat, 42 Lloyd Park Avenue, Croydon Surrey CR0 5SB, England. Tel: 01-680 8859/01-686 7026. Telex: 28905 Monref 2592.

TECHNOLOGY

The elusive value of scientific spin-offs

Peter Marsh on the difficulties faced in measuring the economic returns from research

CAN THE economic return from scientific research be measured? In recent years this question has preoccupied technology administrators in much of the Western world, both in government and private industry.

In particular, the British government has recently shown interest in assessing economic spin-offs from research, both to determine which schemes show the greatest commercial results and as a guide to the type of research and development (R&D) activities to back in the future.

Efforts to find simple quantitative links between research and economic well-being may, however, be doomed to failure, according to a study by the US Office of Technology Assessment (OTA), a research arm of Congress. Addressing US Government-funded research, the study* says "using economic returns to measure the value of specific or general federal research expenditures is an inherently flawed approach."

In the US industry, research managers are, says the report, generally sceptical of quantitative techniques to evaluate technical programmes. Managers find them to be "simplistic, inaccurate, misleading and subject to serious misinterpretation."

The report makes the point that the path between the generation of ideas at the research stage and their application in a new product or process may be extremely complicated. The pay-offs from the applications may be "too diverse and incommensurable . . . to allow quantitative models to take the place of mature, informed judgment."

Economists have tried for years to link R & D to economic indicators such as productivity increases or gains in gross domestic product.

In specific areas such as agriculture, aviation and health care, a series of US studies have attempted to show the relationship between levels of government research spending and, for instance, crop yields, aircraft sales and general economic benefits through fewer people being unwell. Other work has attempted to show the US economy has benefited from space industry "spinoffs."

Though such studies have some value in illustrating general trends, any quantitative results should be treated with caution, suggests the OTA's report. "The fundamental stumbling block to placing an economic value on federal R & D is that improving productivity or producing an economic return is not the primary justification for most federal R & D programmes."

Rather, says the report, the research may be socially desirable or may be thought to lead to substantial economic spin-offs in the future, but be too risky for private industry to back. Alternatively, at least part of the reason for the research may be to bolster national prestige—as in the US space programme.

In industry, according to the OTA, surprisingly few companies use quantitative techniques to evaluate research. Methods like these could consist of efforts to link R & D with specific indicators such as increased profits, new products, corporate image or recruitment.

Such techniques, however, have little practical value. They fail to take into account the myriad of factors that enter the research process. These include the personalities and skills of individual technologists and how their efforts are applied elsewhere in the company, for instance in the marketing and product-planning departments.

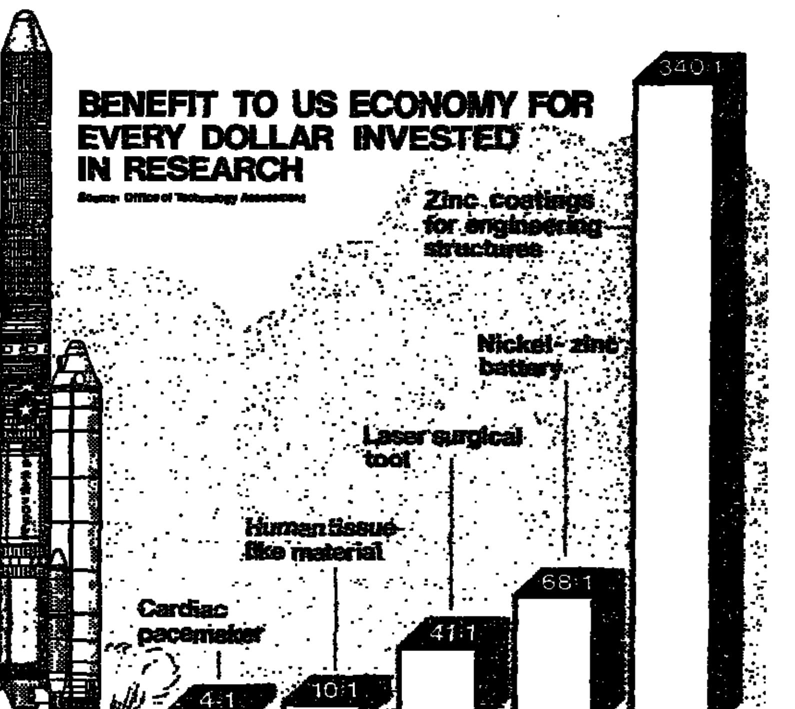
The OTA concludes that, both in government and in industry, it is difficult to evaluate research through anything other than qualitative methods. These may comprise little more than sequences of meetings between the people doing the R & D and those paying for it, in the hope that the interaction between the two groups will guide the research towards defined targets.

Although the report focusses on the US—where total R & D spending is about $110bn a year—split roughly evenly between government and industry—it may have particular relevance to Britain, where the government has recently started two activities aimed at finding formal methods to evaluate R & D.

The UK Cabinet Office is setting up a science and technology assessment office to gauge returns from Government-funded research programmes. These projects accounted for roughly half the £8bn ($12bn) that the UK spent on R & D in 1983. This new office will try to analyse the extent to which different Government research programmes aid national efficiency and competitiveness.

In a separate move, the Government is backing the formation of a national forum to identify at an early stage research projects which show the greatest promise of producing economic results. The Advisory Council for Applied Research and Development, which reports to the Prime Minister, has commissioned Segal Quince Wicksteed, consultants, to identify how to set up such a forum. Their report on the subject is expected to be substantially complete by the autumn.

* Research Funding as an Investment—Can We Measure the Returns? Office of Technology Assessment, Washington, DC 20510, US.



Figures refer to notional benefits from cash invested by industry in technologies derived from the US space programme

Screening given to major robot suppliers

WORTH WATCHING

Edited by Geoff Charlish

ROBOT SELECTION becomes easier using microcomputer software called Robot Calc 2, from the Society of Manufacturing Engineers in the US.

Running on an IBM personal (or compatible) computer, this database contains information about hundreds of industrial robots from over 100 manufacturers and suppliers. It also covers robot terminology and selection methods.

Selection is based on user-defined requirements for welding, finishing, material handling and machining applications, embracing horizontal/vertical reach, tolerances, weight capacity and other parameters.

The SME claims that Robot Calc 2 sharply reduces the time needed to understand the terminology, phone the makers, read all their literature and sift through the specifications. More from the Society in Dearborn, Michigan, on (313) 271 1500.

MOULD SURFACE inclusions such as labels, coatings and decoration are traditionally added by additional processes after the plastic forming operation.

However, these items can be part of the moulding process itself and Battelle, the Columbus, Ohio research group is planning to assess the latest developments in a multiclient study for a number of companies in the US, Japan and Europe.

Other items that might be added during the basic forming are electromagnetic shielding layers and printed circuit boards. There are clear prospects for production cost reduction says Battelle, since no further processes beyond those in the moulding operation are needed.

Companies can join the 12 month study for $3,500 and more information can be obtained from the London office on 01-493 0184 or in the US on (614) 424 7584.

LOCAL AREA networks, or LANs, mainly associated with office automation, now seem set for market growth on the factory floor according to a study by Frost and Sullivan, the New York and London market research group.

The driving force is MAP, or manufacturing automation protocol, an initiative led by General Motors.

The restraint is that robots are "not being shipped and installed at the rates suggested by the publicity surrounding them."

Even so, the study predicts that over 1m machine tools, robots, programmable controllers and similar items will be connected to 41,000 LANs by 1989 in the US alone.

Factory LAN market growth will average 35 per cent a year until 1989, the market value rising from $100m to $421m in the US.

The Factory LAN Market, report 1477, costs $1,200. From Frost and Sullivan, New York on (212) 233 1080 or in London on 01-235 3166.

TRUNKING SYSTEMS for band 3 mobile communications working, devised by Philips Radio Communications Systems, have been announced by the UK Philips subsidiary, Pye Telecommunications of Cambridge.

Band 3 was until recently used for the now defunct 405 line television service in the 45 MHz frequency region. Using trunking, Pye will make best use of the new mobile channels made available.

In trunking, no user has a channel of his own as in conventional systems. Instead, channels are dynamically allocated by computer as they are needed, so that the available channels will serve more users. Once allocated, the channel gives secure conversation not just with the fleet despatcher, but with other mobile users within the fleet. When the conversation is finished, the channel becomes free for further allocations. Pye is in Cambridge, UK, on 0223 61222.

WHY A BROADER COMMERCIAL PICTURE SURROUNDS SNAPSHOTS FROM SPACE

REMOTE SENSING — taking pictures of the Earth from outer space — is a particularly intractable subject for people trying to measure the economic spin-offs from research spending. Direct economic returns from remote sensing are negligible — but the technology has had a number of wider effects, which though difficult to quantify, have led to considerable benefits.

Since the early 1970s, the US Government and private industry have invested more than $1bn in the country's Landsat remote sensing satellites, two of which are currently in operation. The vehicles, which orbit over the North and South Pole so they cover the entire surface of the Earth, record both photographic and infrared images of the land and sea and send this information to receiving stations via radio waves.

Direct revenues from the programme, in the shape of proceeds from sales of data to customers such as mapping or farming organisations, are tiny — no more than about $20m a year, or roughly a tenth of the running costs for the system.

Nonetheless, the wider payoffs from the space snapshots are considerable, in both economic and social terms, and are more than enough to justify the huge costs of setting up and running the Landsat programme. That, at any rate, is the opinion of the space applications board of the US National Research Council (NRC) in a study* on the US's remote-sensing programme.

The Landsat satellites, formerly the responsibility of the National Oceanic and Atmospheric Administration, are now operated by a private body called Eosat, owned jointly by Hughes Aircraft and RCA, the telecommunications company. The consortium has been given a government subsidy of $250m over five years to defray the expenses of running Landsat.

According to the NRC's report, the Landsat programme was "never designed as an enterprise that would make money in the usual commercial sense." Rather, it was set up to demonstrate the feasibility of a new technology—a goal that has been achieved.

Ironically, the Landsat exercise stimulated other nations, chiefly France and Japan, to start similar programmes and these countries may soon overtake the US in applications of remote sensing.

Although the direct commercial proceeds from Landsat are small, indirect economic benefits are much bigger.

According to the report, Landsat information should be considered in the same way as data from the US Census. While the Census provides demographic information useful in a wide variety of business and academic activities which would function less well without it, "data about the surface of the world has major or minor uses in thousands of applications."

To illustrate this, the report discusses a number of ways where Landsat data has benefited commercial projects. *Potato farmers* in Oregon have, for example, monitored growth of their crops using the space snapshots—this has helped them to pick the vegetable when in peak condition.

In other examples, Bechtel, the US engineering company, used Landsat data to help in the planning of a coal slurry pipeline in China. A geology exploration company saved $750,000 on conventional surveying costs by using space photos to evaluate an oil find in Michigan, while mapping organisations all over the world have produced or updated maps with the aid of Landsat when, often, no alternative way of gaining survey information was available.

* Remote Sensing of the Earth from Space—a Programme in Crisis, National Research Council, 2101 Constitution Av NW, Washington DC 20418.

THE ARTS

Cinema/Nigel Andrews

A Rambo by any other name

Cobra directed by George P. Cosmatos
Yellow Earth directed by Chen Haige
Purple Haze directed by David Burton Morris
Nicholas Ray films
King Kong directed by Merian Cooper and Ernest Schoedsack
Survivors – The Blues Today directed by Robert Schwartz and Cork Marcheschi

Whatever sort of a name is "Sylvester" for today's leading macho man in the movies? Contemplating *Cobra*, in which Sylvester Stallone takes on virtually the entire criminal world of Los Angeles and in which the policeman hero's first name is Marion (Marion Cobretti, hence "Cobra"), one is tempted to agree with Shakespeare's Juliet when she said, "What's in a name?"

But of course there is plenty in a name. For what greater challenge could there be for a macho-man than to overcome such a nomenclature?; just as Napoleon overcame his short stature and Nelson his tendency to have one of everything rather than two? The milquetoast name is, for modern Moviedom, the equivalent of the old Western Hero who is still a man's man even when he orders milk or soda pop at the saloon counter.

The other connotation of "Sylvester" is, of course, a cartoon one. Sylvester was the jet black cat with a speech problem who made life hell for one Tweety Pie, a canary. With these imperatives going for him — the need to live down a first name suggestive partly of a palm court yuppie, partly of a cartoon cat — no wonder Stallone runs about the known world putting whole communities to the torch.

In *Cobra* he is up against a large masonic gang first seen clinking axes in an unidentified underworld and later bursting onto the city streets, singly or in groups, to commit sociopathic crimes. Only one man can deal with them. When the Los Angeles Police Department is stymied by, say, a supermarket killer, the murmur goes out: "Call the Cobra." Enter Marion. A dark-glassed figure he, garbed in black, packing a Magnum or submachine gun or six-pack of hand-granades. Or all three.

"You're the disease," says Marion to the cornered criminal, in a voice dredged up from his stick-a-soles, "and I'm the cure." Bang. And the anti-social element is eliminated, leaving the world safe for supermarket shoppers.

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If you thought *Rambo* was primitive, you should try *Cobra*. (Both are directed by George P. Cosmatos.) Unable this time to afford an excursion ticket to Vietnam, Stallone decides to destroy the vermin on his own doorstep. But first he has to find or invent them. The elaborate freemasonry of nutters developed by the film (loosely based on Paula Gosling's novel *A Running Duck*) is quite the silliest excuse for a villain, or collective villain, I have seen from any Hollywood movie.

After a first half and sundry and predictable shoot-em-ups around town, the second half has Marion and the lovely state's witness he is protecting (Brigitte Nielsen, *aka* Mrs Stallone) holed up in an out-of-town motel. Hither ride out the entire—and I mean the entire — army of leather-clad masonic loonies, only to be mown down before they have even reached the reception desk. The highway resembles a bowling alley as man by man, bike by bike, the "sickos" as the film likes to call them bite the dust: courtesy of Stallone and his one-man arsenal.

All but the prime sicko, who is reserved for a private showdown with the Cobra in a nearby deserted factory. After much chasing, our hero finally corners him, disarms him, pours petrol over him and says "You have the right to remain silent" as he flicks a lighted match onto him.

All this to prove that though the hero's name may be Marion, he is not—definitely not—the Marion kind.

*

Goodness knows what they would have made of the Cobra in China's Shaanxi Province in 1939. No sickos here, as the soldier hero of Chen Haige's *Yellow Earth* travels from a Communist army base in the South to collect folk songs in the still feudal North. Here the peasants have the right to remain silent but seldom exercise it. Far from the din of the Sino-Japanese war, they till the land, sing their songs and evince their lamentable but touching ignorance of Comrade Mao.

Will the pretty peasant girl, doomed to an arranged marriage with an old man, fall in love with the soldier? Will the soldier be able to tear himself away from her and her family, with whom he is billeted, when his mission ends?

Hailed on last year's festival circuit as a breakthrough movie from China—out of the strait-jacket of Communist propaganda into art and humanism — *Yellow Earth* seems rather less than that. The soundtrack choruses run to such champagne lyrics as, "Life is hard for these seasonal workers," and the film is shot through with message-mongering: "Chairman Mao wants the poor to have a better life," says the hero, and other homilies to that effect. One comes away humming the landscape — mountains like pitted hones, deserts of dry mud coloured purplish-brown—and wishing that a livelier plot and characters had been found to fill it.

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Better *Yellow Earth*, however than *Purple Haze*. Five years old, this hymn to the 1960s love-and-peace movement, written and directed by David Burton Morris, has all the charm and potency of yesterday's marijuana joint. It flaunts its arch nostalgia and sophomoric wisdom in everything from the title, tweezed out of Jimi Hendrix song, to the hero's name (Matt) Caulfield. (Ring a bell? Holden? In the rye? Catcher?)

Matt, dropping out of Princeton in 1968, returns home to Minneapolis to quarrel with Mum and Dad (so loving but so un-understanding) and to pal up with drug-addicted schoolfriend Jeff. Interminable dialogues about life and drugs and idealism ensue. Then eventually Matt and Jeff — sorry, *Matt and Jeff* are off to Vietnam, and the film plays its own game of Russian Roulette with who will live and who will die. A game far cruder and more distasteful than Cimino's games in *The Deer Hunter*, since the characters are never developed as human beings, only as spokesmen for the director's tortured self-importance of soul and self-immersion in a bygone pop culture.

Purple Haze is yesterday's socio-cultural clichés puree'd to make today's art-house pap. The film shows us that compared to the self-adoring sanctity of much of 1960s America—and the souvenir industry later film-makers have made of it—the harshly realistic 1980s do not seem so bad after all.

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Nor do the 1940s and 1950s. Nicholas Ray's compelling films from that era—weird Westerns (*Johnny Guitar*), racked melodramas (*Bigger Than Life*), tenebrous thrillers (*They Live By Night*)—are now on view at the National Film Theatre. Ray ended his commercial career cranking out elephantine epics in Spain (*King of Kings, 55 Days in Peking*), a favourite filmic form of exile with hard labour in the 60s. But in his best years before that, he tapped into a rich vein of neurosis and anarchy lying just below the surface of America's postwar peace and plentitude.

Elsewhere this week you may enjoy the return of K. Kong, 53 years old this year and still enthusiastically fighting brontosauri, climbing skyscrapers and shredding Fay Wray's dresses. Or you may sample *Survivors—The Blues Today*, wherein music makers black and white show that the blues are not dead but Dolbyised. Mellifluous stuff.

Sara Kestelman, Sally Dexter, Eve Adam and Roz Clifton — *Alastair Muir*

The American Clock/Cottesloe

Michael Coveney

Arthur Miller's *The American Clock* closed after 12 performances on Broadway in 1980. Three years ago its British première at the Birmingham Rep made little impression. It belongs, like most of Miller's plays since *The Price* in 1968, to an era of a reputation in decline. Miller himself is scathing about Broadway today, not without reason, and often invokes old values and the days when intelligent playgoers could afford the price of a theatre ticket.

He likes harking back. And he harks back in *The American Clock* to the Depression, the great social event of his lifetime. An old financier who is the narrator of this kaleidoscopic documentary fiction says that after the Depression, life turned into a movie. This everyone enjoyed. But when will life be real again?

The first thing to assert about Peter Wood's production for his own National Theatre group is that it reaffirms Miller's reputation at a stroke and suggests we may have to look at all his plays of the last decade or so much more carefully.

It is an ensemble event opening with the financier's 1929 recommendation to his shoeshine boy to sell up his stock. We zoom in on the Baum family, in which two cousins, Lee and Sydney, are shown respectively struggling to win a college place and write a hit tune. Our visitations to this family are almost phantasmagoric, outlines of what happens emerging amid a welter of Depression songs (Mr Wood's biggest structural innovation) and a series of vignettes, reflective monologues and even an auction in Iowa at which the farm workers try to lynch a judge and buy back their land for a dollar.

You can see how that episode, and others, might seem awkward or obtrusive. But the scene is introduced by the company assembling in a straight line and singing a hymn.

The Baums are close relations of Miller's Loman family and Michael Bryant as Moe, the bleached and sorrowful salesman, and Sara Kestelman as Rose, his music-loving wife, gradually take hold of the play's emotional centre.

Lee, beautifully played by Neil Daglish, advances from bicycle-riding adolescence to would-be journalist, losing his political ideology in an attempt to seduce an attractive but earnest Superman cartoonist. In a complementary reversal of that scene, Lee's dental student friend (Steven Law) reads Engels to a hooker (Marsha Hunt) intent only on removing his long johns.

The Baums are shown on the skids, Rose losing her grip as well as her piano, Moe shutting the door on his own son. The narrator, whom Barrie Ingham plays as increasingly wise and wheelchair-bound, draws some finger-wagging conclusions about the loss of opportunity in the age of corporate industry, the erosion of small enterprise and self-improvement. As a theme, this is wearing a bit thin.

On the other hand, Miller's aim is not just to memorialise old times but to suggest we can learn by celebrating them. He has often written about the underdog, but never in this way.

Miller says his play was inspired by reading Studs Terkels' Depression chronicle *Hard Times*. The piece has remained "work in progress" ever since and it may be that Mr Wood has brought it to something resembling its finished state. His company is in top form, graced by such new recruits as Tommy Eytle, Paul Curran, David Schofield and Okon Jones. With regulars like Barry James (as an hilarious Hockney-ish composer) and Sally Dexter (as Rose's garrulous and suspicious sister) to boost the musical execution, this is one of the National's strongest offerings in some time. The settings of Timothy O'Brien, costumes of Stephen Lewis, lighting of Robert Bryan and musical direction of Robert Lockhart are all of the highest quality.

Curlew River/Albert Hall

Max Loppert

The first of Britten's Church Parables was written for and first given at Orford Church, an intimate place of ancient associations and local relevance to the piece itself. Nexus Opera, bringing the piece to the Albert Hall for Wednesday's late-evening Prom, might be said, therefore, to have run the great risk of sacrificing Britten's carefully calculated particularities to the general urban grandeur of London's largest concert space.

In fact the performance succeeded there triumphantly. I thought the production (by Ronald Eyre) and the musical execution (by Divertimenti under Lionel Friend's direction) every bit as telling and powerful as the English Opera Group original. Perhaps even more telling and powerful, indeed: for, stripped of the Aldeburgh ambience (with the hints of cosiness and partisanship that tended to go with it) and transported to an environment where the sound-sense of the music could be newly enhanced, *Curlew River* emerged gleaming, hard, taut, and beautiful—a score in which every note matters, a theatrical conception in which the past, present, and future of British music seem to find their crossroads.

The performance was played out on a raised platform in the arena, reached by wonderfully powerful ceremonial processionals, offered with the minimum of prop and device. The main characters claimed a properly stylised identity, yet so simply and naturally was this achieved that while the show was unfolding one was hard put to know how stylisation was done. Eyre and his company respected the work's basic liturgical tenets; it was a strange paradox that the unsanctified freedom (and acoustical warmth) of the hall appeared to liberate them from the suspicions of sentimentality that formerly hung over the piece—in my own memory, at least.

The company had reached the Proms after performing in several places (the first was Wells Cathedral earlier in the year). Experience afforded a seamless command of pace, accent, and balance. Mark Curtis's Madwoman was not "school of Pears" but an individual approach to one of the greatest of all Britten roles, and most sensitively sung. Robert Poulton was a strikingly characterful Ferryman; John Rath (Traveller) and David Gwynne (Abbot) gave strong accounts of themselves, as did every one of the Divertimenti instrumentalists. More than two decades after its first performance, *Curlew River* can be safely reckoned, on such a showing as this, one of the Britten masterpieces.

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The earlier concert was the annual National Youth Orchestra visit to the Proms, this year under Mark Elder's crisp, cogent guidance. Two French works of the 20th century, *La Mer* and *Turangalila*, made a tremendous programme — after the length, succulence, and saturation effects of the Messiaen symphony, indeed, only something as different from it as *Curlew River* could have persuaded me to stay on for further Prom duties.

The corporate character of the orchestra (which seemed to be in particularly sturdy form this year) suggests similarities with that of a good French orchestra—departmental sonorities forward rather than deep or rich of tone; balance clear: blend light, not sumptuous or rich. It is a character that might have led to a more authentic *La Mer* than our big professional orchestras usually give us, a performance of frank outline and firm bone structure, articulated to move forward on springy, agile steps. Mr Elder did not hear the orchestra or the work that way, and tried a more conventional approach to both. The result, admirable in passing details, was not quite sure in its aim.

In *Turangalila* (which had Cynthia Millar at the ondes Martenot and Peter Donohoe as a magnificent solo pianist) the style was more surely caught. Perhaps Messiaen's love-garden needed a more lengthily erotic drawing-out, at lower dynamic levels and in more caressing phrases (teenage players can probably only guess at what is required here); perhaps, too, the ensemble tended to loosen under pressure. But it was a wholehearted, unflinchingly energetic account of the work: Messiaen's ripe ecstasies were proudly and joyfully proclaimed.

Sarah Walker steps in

The mezzo soprano Sarah Walker has at short notice taken over the Purcell Room Summerscope concert tonight, due to the illness of David Wilson-Johnson. She has called her programme "Abandoned Heroines and Femmes Fatales."

Così fan tutte/Elizabeth Hall

Andrew Clements

One of the main elements of the South Bank Summerscope season was launched on Wednesday: the transformation of the Elizabeth Hall into a fully equipped venue for music theatre. The change is not at all cosmetic — the stage area has been more than doubled (at the cost of some 350 seats) and the lighting rig substantially increased; it is perhaps the first tangible indicator of the future shape and function of the South Bank concert halls as envisaged by the new administration.

Inaugural productions in the new-style hall have been entrusted to Opera Factory London Sinfonietta; they bring the première of Birtwistle's *Yan, Tan, Tethera* (to be reviewed on Monday) and a staging of *Così fan tutte*, directed by David Freeman. Opera Factory's previous London productions of repertory works (*La Calisto, The Knot Garden*) will have alerted audiences to their intrinsically fresh, unhackneyed stance; the results are not unvaryingly successful, but they have always been interesting. So too with this *Così*; it's worth emphasising at this point that whatever shortcomings may be suggested later, the evening is a positive success, carefully and penetratingly observed, and often resoundingly funny.

After a sequence of productions of the opera on the stage in London and elsewhere in which historical exactitude seemed to have become the dominating *raison d'être*, it is a palpable relief to encounter a view that throws all such considerations out of the window, but retains (and arguably enhances) the deeply disturbing resonances the work can still arouse. It is set entirely on a beach in the 1980s—perhaps in the Mediterranean, perhaps Australia. During the overture Don Alfonso carefully builds a sand castle, to be interrupted by the arrival of the lovers back from a swim; then the drama begins.

The basic scene-setting done, the theatrical conceit primed the plot is then unfolded in a highly disciplined and in some respects quite traditional way. Despina is in an ambiguous position, hardly a servant—and in any case would contemporary fun-loving girls like Dorabella and Fiordiligi run to a servant? —more a companion, and Alfonso a rather odd figure to encounter on a beach. But the disguises work perfectly: rich Arab princes are probably less exotic figures nowadays than in Mozart's time, though Despina's appearances as doctor and lawyer are correspondingly that much less credible. The jokes are precisely orchestrated, with perfectly timed pratfalls by the Arabs when they greet the girls, and an uproarious tangle of limbs to usher in the Act I finale.

Yet the final scene, the ambivalence of the reunions, and the lack of all but token reconciliation between the original lovers sends the opera on to a different level altogether. If expectations up to then were of the conventional reassurances perhaps tinged with a little awkwardness, Freeman's refusal to give in to them produces a genuinely disturbing and provocative ending, provocative in the best, that is least sensational, way. The whole opera is revealed as directed towards those unhinging few moments.

Marie Angel and Christine Botes — *Alastair Muir*

Marie Angel's splendidly frumpish Fiordiligi took most of the vocal honours, making her important arias tell in a way her colleagues could never quite master; Janis Kelly's pert, punk Despina carried a consistent brittle charm, while Christine Botes's nervously impulsive Dorabella spoilt characterful singing with bouts of hazy intonation. Tom McDonnell's Alfonso seemed a little too neutral in this context, more convincing in recitative than arias or ensembles; Nigel Robson (Ferando) and Geoffrey Dolton (Guglielmo) carried less conviction, and Mr Robson in particular seemed in fragile voice. Paul Daniel directed the London Sinfonietta in a lively, sometimes spikey way; passing problems of contact between stage and orchestra are likely to be ironed out as the run progresses.

Arts Week

F	S	Su	M	Tu	W	Th
8	9	10	11	12	13	14

Exhibitions

ITALY

Venice: Palazzo Grassi: Futurism and Futurisms: Fiat opens its art centre on the Grand Canal with the largest exhibition to be devoted to the Futurist Movement, a movement born in Italy, and the first to exalt technology, and to try to convey speed on canvas. More than 300 works have been lent. The paintings are mainly from 1909-18, but there are also sections devoted to literature, theatre, music, architecture, fashion and furniture, showing futurism's influence up to 1930. Ends Oct 12.

SPAIN

Madrid, References and Identities. An encounter of prestigious international artists welcoming the inauguration of a new art centre in Madrid: Centro Reina Sofia, Santa Isabel 52. Ends Sept.

LONDON

Hayward Gallery: Dreams of a Summer Night – an exhibition of painting at the turn of the century in the five Nordic countries, organised by the Arts Council and the Nordic Council of Ministers. It proves to be an important and intriguing exercise in critical reassessment, for though many of the painters enjoyed a certain contemporary fame abroad, they were with one great exception all but forgotten in the years after the first world war. Munch was that exception, and the chief value of this exhibition, which throws a fresh light on his work, is the demonstration that he was no arbitrary phenomenon but the notable product of a distinctive national and regional character. Ends Oct 5, then Düsseldorf and Paris.

PARIS

What Is Modern Sculpture?: Rather arbitrarily, the American art critic Margit Rowell answers by excluding Rodin and Maillol from the 1900-1970 period. Her criterion is a break with tradition, and tin, welded wire, plywood and string are next to sculptures in bronze and marble. There are some splendid works by Picasso and Matisse, Brancusi and Giacometti. The exhibition continues from the 5th floor to the forum in the basement with Beuys and Arte Povera and is unspeakably depressing. Centre Georges Pompidou, Closed Tue (42771112) Ends Oct 13.

BRUSSELS

Ghent: Chambres d'Amis, 51 international artists showing in 51 private houses. Tickets, map etc from Modern Art Museum, Ghent (091/21 17 03). Ends Sept 21.

NETHERLANDS

Amsterdam, Van Gogh Museum. Vive le public an exhibition of Daumier's satirical prints of the emergent bourgeoisie bedazzled and baffled by 'Art'. Ends August 25.

WEST GERMANY

Nürnberg, Germanisches Nationalmuseum, Kornmarkt 1: Nuremberg, from 1300 to 1550. Gothic and Renaissance Art. About 300 main works of Nuremberg's grandest age. Ends Sept 28.

München, Lenbachhaus, Luisenstrasse 33: Hommage à Benys: 69 painters exhibit some 100 pictures with 150 late works by Joseph Beuys (1921–1986). Ends Sept 28.

NEW YORK

Museum of the City of New York: Arbit Blatas's paintings, drawings and sculptures of Three Penny Opera covering 12 scenes and 11 characters, were inspired by the historic Theatre de Lys production in 1954 starring Lotte Lenya. Ends Oct 15.

TOKYO

Along the Sumida River: Ukiyo-e masterpieces depicting Tokyo-ites in past centuries (pre-workaholic times) relaxing by enjoying recreations such as flower-viewing in spring or boating on the river in summer. Ohta Memorial Museum in Harajuku, off Omotesdando Avenue. Ends Aug 24.

WASHINGTON

National Gallery: The first major retrospective of the works of 19th-century American landscapist George Inness traces the artist from the early influence of French Barbizon landscapes through the development of his own soft naturalism with dramatic skies dominating rolling terrains. Ends Sept 7.

CHICAGO

Art Institute: Treasures of Japanese Buddhist Art, the only showing in the Western world of works from the great Todaiji Temple in Nara, Japan, includes 151 statues, hand scrolls and intricately designed lacquered objects from the largest wooden temple in the world. Ends Sept 7.

Opera and Ballet

NEW YORK

New York City Opera (NY State Theatre): The week features the new productions of Don Quichotte, conducted by Mario Bernardi and directed by John Copley, along with Carmen, Die Fledermaus and Madame Butterfly. Lincoln Center (870 5600).

Out-of Towners Series (Dance Theater Workshop): The ninth annual invitational dance, mime and performance whirlwind features this week Steve Krieckhaus from Philadelphia with his Missouri Drivers License (Mon, Tue) and Deborah Anderson from Columbus with In Your Face (Thur). 19th St w. of 7th Av (924 0077)

Summer Stage (Central Park): Free new-dance series. Nina Martin, Merian Soto and Pepone Osiorio (Thur). Bandshell at 72nd St. 6 o'clock (397 3156)

LONDON

Festival Ballet continues at the Royal Festival Hall (928 3191) with Coppélia.

TOKYO

Patrick Dupond and stars of the Paris Opera Ballet: including Sylvie Guillem, Monique Loudieres, Fanny Gaida, Lynn Charles. Bon Soir (new work by Dupont), Giselle, Pirates and Others. U-Port Kani Hoken Hall, Gotanda. (723 2356; 490 5111).

ITALY

Torre del Lago Puccini: (Open Air): Tosca conducted by Daniel Oren and directed by Sandro Sequi with Maria Slatinaru, Luis Lima and Silvano Carroli. La Fanciulla del West conducted by Gian Luigi Gelmetti with Sophia Larson and Giorgio Casellato Lamberti. (343322)

Rome: Terme di Caracalla: Coppelia, danced by Carla Fracci and conducted by Alberto Ventura. Choreography by Enrique Martinez, based on Ivanov's original. This is the first performance at the open-air theatre here since 1939. Also Turandot conducted by Alain Lombard and directed by Sylvano Bussotti (who also designed the scenery and costumes). The cast includes Andrea Snarski, Rosa Alba Russo, Francisco Ortiz and Dimitar Stantchev. (46 17 44)

PARIS

J. Peri: Eurydice by the Jean-Marie Leher company conducted by Beatrice Berstel, choreography by Welkenhuyzen (Wed 9 pm) Auditorium des Halles, 5 Porte Saint-Eustace (47649080)

Giselle danced by Noella Pontois and Jean-Charles Gil, choreography by Wladimir Skouratoff (Tue) in Vichy. Information: Paris 42818238. Vichy 70987194

WEST GERMANY

Bayreuth. Tristan und Isolde, produced by Jean-Pierre Ponnelle, conducted by Daniel Barenboim. Wolfgang Wagner und Horst Stein's Die Meistersinger; Peter Hall's Ring; Wolfgang Wagner and Guiseppe Sinopoli's version of Tannhäuser (921 20 221).

VIENNA

Volksoper: The Magic Flute; Die Fledermaus.

Wiener Blut and Die Entführung aus dem Serail, alternative daily at Schönbrunn Palace Theatre.

Music

VIENNA

Leonid Brumberg, piano. Chopin. Bosendorfer Saal (656651). (Mon).

Staatsphilharmonie Rheinland-Pfalz conducted by Leif Segerstam with Paul Badura-Skoda, piano. Sibelius. Mozart, R. Strauss, Arkadenhof. (Tue), conducted by Giora Bernstein with Ingrid Haebler, piano. Mozart, Beethoven, Tchaikovsky. (Thur).

ITALY

Verona: Arena di Verona: London Philarmonia Orchestra conducted by Giuseppe Sinopoli, Schubert and Mahler (Mon) (28.151).

NETHERLANDS

Amsterdam, Westerkerk. Jonathan Rennert, organ (Mon). (247768).

Amsterdam, Oude Kerk. Organ recitals by Jos van der Kooy (Tue) and Wout van Andel (Wed).

LONDON

Royal Philharmonic Orchestra conducted by Sir Charles Groves with Stephen Bishop-Kovacevich, piano. Brahms and Schubert. Royal Albert Hall (Mon). (589 8212).

Nash Ensemble directed by Lionel Friend with Ian Brown, piano and Sarah Walker, mezzo-soprano. Gounod, Dallapiccola. Ravel, Messiaen and Berio. Royal Albert Hall (Tue).

PARIS

Aleth Lamasse, cello, Daria Hovora, piano: Faure, Schubert, Saint-Saens (Mon 7pm). Auditorium des Halles, 5 Porte Saint-Eustache.

Duo Annie Petit, Marylene Dosse, pianos: Compositions from the twenties by De Falla, Ravel, Gershwin (Tue 6.30 pm). Auditorium des Halles.

Philharmonia Orchestra conducted by Kurt Sanderling with Emanuel Ax, piano. Beethoven and Bruckner. Royal Albert Hall (Thur).

NEW YORK

Mostly Mozart Festival (Avery Fisher Hall): Instrumental Ensemble, Christopher Hogwood conducting, Emma Kirkby soprano, Sanley Ritchie violin, Stephen Hammer oboe. Vivaldi, Handel, Marcello (Mon); Festival Orchestra. Sergiu Comissiona conducting, Horacio Gutierrez piano, Ralph Kirshbaum cello. Mozart, Haydn (Tue, Wed): Opera in Concert conducted by Gerard Schwarz with Margaret Chalker soprano, Kaaren Erickson soprano, Cheryl Parrish soprano, Delia Jones mezzo-soprano, Michael Myers tenor, Thomas Hampson baritone. Mozart, Mendelssohn, Schubert (Thur). Lincoln Center (874 2424).

WASHINGTON

Summer Festival (Concert Hall): Highlighted by a visit from the Newport Folk Festival in August, this summer-long string of popular singers and musicians includes recital performances by Neil Sedaka, Shirley Bassey, Dionne Warwick and Petula Clark. Kennedy Center. Ends Aug 27.

CHICAGO

Ravinia Festival: Anne-Marie McDermott piano recital. J. S. Bach, Beethoven, Prokofiev, Schumann, Chopin, Liszt (Mon); Count Basie Orchestra, Thad Jones conducting with Joe Williams singing (Wed); Chicago Symphony conducted by James Conlon with Leon Fleisher piano, John Aler tenor and Chicago Symphony Chorus. Prokofiev, Liszt (Thur). Highland Park. (728 4642).

Theatre

LONDON

The Normal Heart (Albery): Tom "Amadeus" Hulce is playing the crusading hero of Larry Kramer's hysterical melodrama for a three-month season, as public concern over the Aids epidemic increases. (836 3878 credit cards (CC) 379 6565).

La Cage Aux Folles (Palladium): George Hearn a welcome star alongside Denis Quilley in the transvestite show for all the family. Weak second act, less than vintage Jerry Herman score. The show has not travelled well from Broadway. (437 7373 (CC) 734 8961).

Blithe Spirit (Vaudeville): Susan Hampshire and Joanna van Gyseghem have now joined Simon Cadell in this enjoyable Coward revival. (836 9987).

Troilus and Cressida (Barbican): Provocative RSC production set vaguely in the Crimean War with Juliet Stevenson refusing to play Cressida false but riveting just the same. The bumptious 1950s Merry Wives continues in repertoire. (628 8795).

Dalliance (Lyttelton): Tom Stoppard's new version of Schnitzler's Liebelei is a crushing disappointment only partly redeemed by Brenda Blethyn as the ruined working girl. A theatricalised travesty of the work adds to the confusion of middle-aged actors playing boyish dragoons in Peter Wood's numbingly respectable production. (928 2252).

NETHERLANDS

Amsterdam, Carre Theatre. China's Peking Circus (all week except Mon, matinees Sat, Sun, Wed). (225 225).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Elliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

FINANCIAL TIMES

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A very Irish summer

THE SUMMER was meant to be a waiting period in Ireland, north and south: waiting for the marching season in the north to come to an end, hoping that the Unionists would then see fit to resume talks with the British Government and that the Anglo-Irish Intergovernmental Conference could get down to serious business in September.

As it turned out, there have been some bizarre and unexpected developments on both sides of the border. The Irish Government lost the referendum on divorce in June, thus putting Dr Garret FitzGerald, the Prime Minister, in a more exposed position than ever. A general election is due by November next year at the latest. It has begun to look doubtful whether he can hold out until anything like then, though the devaluation of the punt last weekend may help an economy that was starting to show some signs of recovery.

In the north—with about a week to go — the marching season has been rather less stormy than it might have been. There has been much less of the industrial action of the kind that destroyed the Sunningdale agreement in 1974. Yet what protest there has been has had at times had a nasty taste: for example, the attack by more than 100 Ulster Unionists, led by Mr Peter Robinson, the deputy leader of the Democratic Unionist Party, on a police station just south of the border on Wednesday.

Long haul

Whatever may be said about the state of cross-border security, it was never designed to deal with incidents like that, which look more like football hooliganism than politics. Nor does Mr Robinson look like a man ready to negotiate once the period of pranks is over.

More disturbing have been the new attempts at intimidation by the Provisional IRA of workers and companies employed on British Government contracts in the north. The John Laing construction group has already pulled out of a contract at Aldergrove airport near Belfast as a result. This kind of intimidation appears to be going on all the time and is not confined to the IRA. Some of the Protestant workers at Short Brothers have not taken kindly to US insistence that the company must employ more Catholics if it is to receive American orders.

Yet when the Anglo-Irish agreement was signed last November, it was always said that it would be a long haul. The nine months of its duration so far are not very long, and neither on the British nor the Irish side has there been any sign of turning. The Intergovernmental Conference will resume in September and is not short of an agenda. The Republic, for instance, will be pressing for a greater say in the administration of justice in the north and it will be wise of the British to be as accommodating as possible, for the Irish need something in return for the agreement. The Diplock courts —where a single judge presides —is one area where there might be room for reform to satisfy Dublin.

Real test

Again, the British Government must be hoping against hope that the Stalker inquiry into the past behaviour of the Royal Ulster Constabulary will come to an end. The inquiry is said to be continuing but theremoval of Mr Stalker from its headship is a most peculiar affair.

There is also, however, a much longer perspective. The real test of the Anglo-Irish agreement will be not what it produces in a year or two but whether it can stand a change of government on both sides of the Irish sea. On the British side there should not be much doubt. The agreement, after all, was overwhelmingly approved by the House of Commons and there has been no shift in the policies of any of the major parties since.

The Irish side is more intriguing, especially given the fragility of Dr FitzGerald's government coalition. It must be regarded as possible that Mr Charles Haughey will return to power at the general election. Mr Haughey has been ambivalent about the agreement but does not appear to be wholly against it. Indeed, his demands on several issues —such as an Irish say in the administration of justice — do not seem to be vastly different from those of Mr Peter Barry, the present Foreign Minister. The British have been sometimes suspicious of Mr Haughey. What they may have to learn is that, for the agreement to survive, they will have to live with him.

Italy's economic opportunity

AS THE OECD put the final touches on its latest survey of the Italian economy last month it must have wondered to whom its strictures about the dangers of the nation's expanding public debt were directed. The "July crisis" was still in full swing as the Socialists and Christian Democrats squabbled over the occupancy of the Palazzo Chigi. With a compromise finally worked out, which allows Mr Bettino Craxi to keep the premiership until next March, politicians from all sides of the ruling coalition have a fresh chance to focus on issues of substance and particularly on the state of the economy.

The level of public spending and the rising ratio of debt to GDP do present difficulties, which the Italian central bank never ceases to highlight, but this aside the economy has performed well by comparison with many of its European counterparts. The average growth rate since the turn of the decade, for example, has been much higher than Britain's. This largely reflects the fact that Italy managed, in spite of its lack of oil, to avoid a sharp contraction of output during the recession; the biggest annual decline in GDP experienced by Italy was only ½ per cent compared with 2½ per cent in the UK. As a result, per capita GDP in Italy is nudging that in Britain and it is more than likely that Italy will be the richer nation before the end of the decade.

External shocks

It is true that Italy has paid the price of higher inflation. But even this disadvantage may have been temporary. Helped by the big decline in oil prices and the collapse of the US dollar, Italian inflation is below 6 per cent—the year on year increase in July was zero. Moreover, the OECD is projecting an inflation rate of only 3.5 per cent in 1987—only fractionally above the OECD average.

The OECD also compliments Italy on its job creation record which it maintains has been better than in many other European countries. Employment has risen by about 5 per cent in the past decade: poor, perhaps, by the standards of Japan or the US but better than the European average. One explanation for Italy's relative success, stressed by the OECD, is its greater ability to depress real wages when required by external shocks such as a rise in energy prices.

Italy's employment outlook is less bleak than it might be for another reason: the country has enjoyed what amounts almost to an industrial renaissance in the 1980s. A combination of factors — reduced union militancy, financial restructuring aided by the revival of the Milan bourse and a willingness on the part of politicians to allow industry to seek its own solutions—account for the recovery.

Unmatched revival

The OECD study confirms that the industrial turnaround goes well beyond the highly visible success of groups such as Olivetti, Fiat and Montedison: the medium-term prospects for lasting jobs have been enhanced, it says, by the general improvement in efficiency and competitiveness.

All this must be gratifying for Mr Craxi who, as the figure-head of the most stable Government Italy has enjoyed since the 1960s, has attracted a lot of support from bankers and industrialists, many of whom were dismayed by last month's political bickering. The reality, however, is that unless the new government he has assembled can succeed where so many of its predecessors have failed and slow the growth of public spending and borrowing, Italy's economic dynamism may be short-lived.

The dangers of fiscal profligacy may often have been overstated. Italy, however, is the very opposite of West Germany; its borrowing requirement — proportionately five times as large as Britain's and three times the size of the US's— is big enough to frighten even a hardened Keynesian. At some point this structural imbalance will have to be tackled, probably through a combination of spending curbs and reforms to broaden the tax base. The fall in oil prices, even if it may soon be partially reversed, combined with the dollar's weakness, is giving Italy an opportunity to put its fiscal house in order which it cannot afford to miss.

WORLD WHEAT TRADE

The cake that shrank

By Andrew Gowers

AT THE very beginning of this decade, President Jimmy Carter registered US displeasure at the Soviet invasion of Afghanistan by partially suspending American grain sales to Moscow. The trade was stunned; the world's largest food exporter — the country which had long been publicly proclaiming its desire to hook the world on its wheat —had turned to using the crop as a weapon.

Yet just over six-and-a-half years later, the Reagan Administration appears to be falling over itself again to boost wheat exports to Moscow, with the aid of generous subsidies. Why? Has the relationship between the two countries improved so much that Washington will spend an estimated $52m, and offend some of its key allies, in order to help the Kremlin combat the domestic consequences of yet another mediocre cereals harvest?

It is, of course, a trick question. The reason for last Friday's decision by the White House to subsidise the sale of up to 4m tonnes of wheat to the Soviets lies in the quite separate sphere of domestic farm politics.

Yet it is a move which is sending fresh waves of concern through the world's enormous wheat trade. Effectively, round two of a bitter subsidy battle has begun. With the exception of the Reagan Administration itself, few of the participants doubt that US export subsidies will spread further; none has any idea where the "wheat war" will end.

World wheat prices, which have been tumbling over the last few months, seem set to come under further downward pressure as the US unloads surplus stocks. Another hole could be opened up in the EEC budget as it is forced to pay ever larger export subsidies to enable European wheat to compete. Political strains seem likely to increase between the US and other exporters like Australia, Canada and Argentina. All three countries, two of which are already in an economic corner, will find the going even tougher as the price of one of their key export earners plummets: Buenos Aires is warning that it will have greater difficulty in servicing its debts as a result.

A lengthy battle over one of the most political of commodity markets could harm the new round of multilateral negotiations which the General Agreement on Tariffs and Trade is launching next month. One of the main goals of the talks is to tighten the currently flimsy rules governing farm trade. Yet the preparations have been marked by deep suspicion: only a few days ago, 12 mainly Third World countries hinted that they might consider pulling out if the Gatt round failed to address agricultural issues adequately.

What is more, there is very little chance that lower prices will result in any overall increases in world demand for wheat, which is suffering from an extreme dose of the malaise afflicting most agricultural commodities.

Cereal production—fuelled by technological advances (in seeds, chemicals and fertilisers, for example) which mean that more grain can be produced from less land than ever before —has reached record levels over the past few years. Yet after decades of steady and sometimes spectacular growth the world market for all that grain — particularly in the developing countries which once hungrily absorbed the surpluses grown in the industrialised world—has suddenly shrunk. There is little prospect of recovery. Several of the countries which once ate the West's wheat—or fed it to their livestock—are now self-sufficient, while many states which theoretically need to buy more to feed their malnourished populations simply cannot afford to.

In other words, exporters of wheat, barley, maize and, for that matter, soyabeans are likely for the foreseeable future to be fighting increasingly hard over shares of a much diminished cake. Huge stocks—the equivalent to 29 per cent of annual consumption in the case of wheat and 23 per cent in the case of coarse grains—continue to overhang the market. Even if everybody could negotiate a truce, which looks most unlikely at present, adjustment would be exceedingly painful.

The US is on the warpath over agricultural trade in two ways this year. In the first place, under the new Food Security Act, it is cutting the market price of its grain and topping up on farmers' incomes with a record programme of deficiency payments.

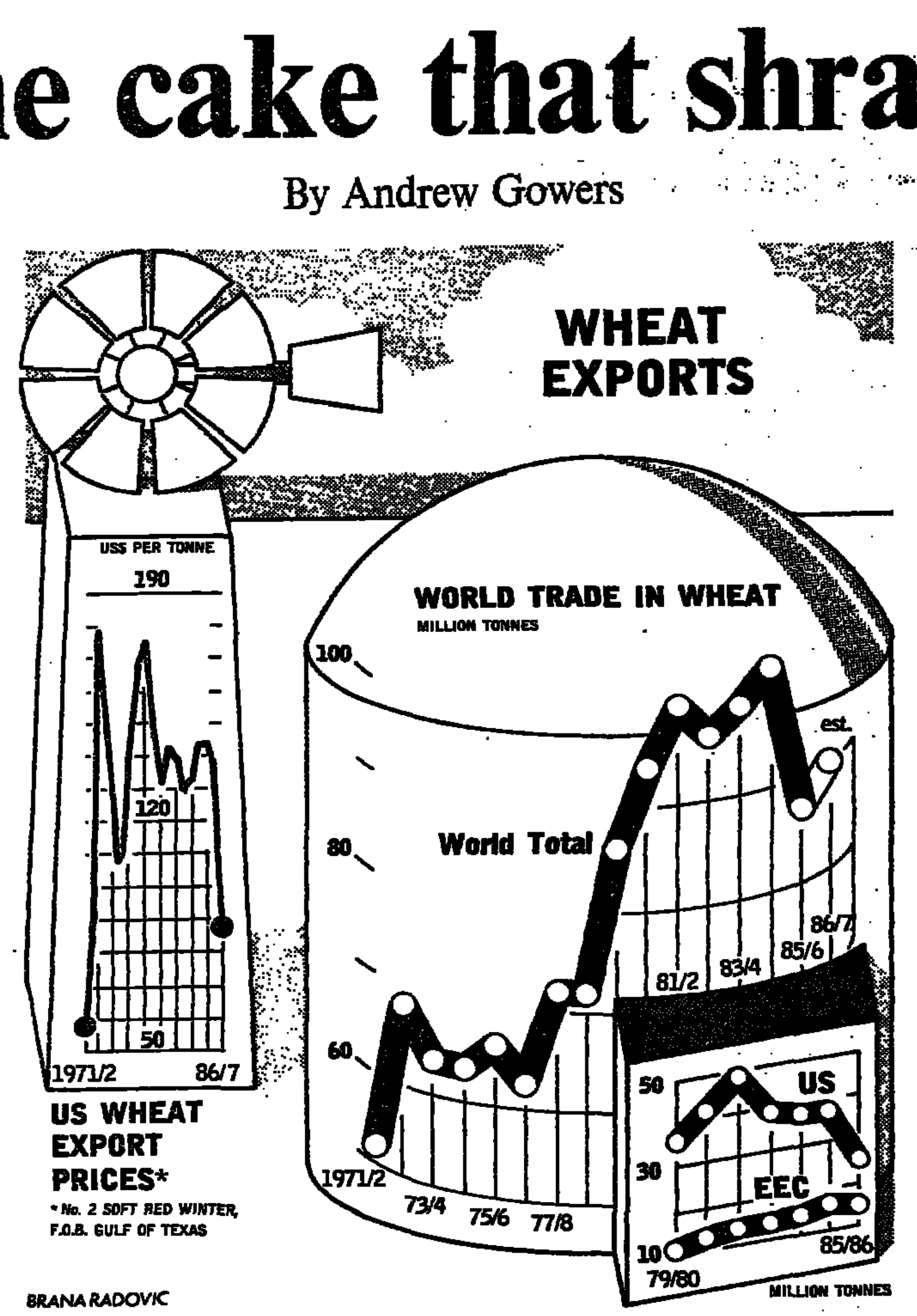
In addition, under protest and heavy pressure from Congress, the Administration has initiated what it originally called "Bicep" (Bonus Incentive Commodity Export Programme)—a scheme under which exporters of agricultural produce would be given "bonuses" of commodities from Government stocks to offer as an added incentive to foreign buyers.

The programme was supposed to be aimed at markets which the US claimed the EEC had stolen with export subsidies of its own; that meant principally countries in the Middle East and North Africa. Its effect there—in terms of prices, at least— has been dramatic. In recent weeks US soft red winter wheat has sold in Egypt for as little as $87 a tonne—only 60 per cent of the normal "commercial" price quoted as recently as this March.

Yet for all the muscle-flexing, Bicep has not resulted in a perceptible increase in overall US farm exports: other exporters like the EEC have simply followed the American prices down. The buyers involved are laughing.

In the US Congress, however, farm state politicians who face elections in November like Mr Robert Dole, the Senate majority leader, are distinctly unamused. The farm vote could well hold the balance of power in the Senate, and trade has become the number one issue for the farm lobby. Yet despite the falling dollar and frequent Administration promises that sales would pick up as market prices of American produce are cut, US farm exports have just been overtaken by agricultural imports for the first time in three dacades.

Bicep—now renamed the Export Enhancement Programme —was, in fact, fundamentally flawed from the start, in that it explicity excluded the two largest buyers on the world wheat market: the Soviet Union and China.



The political grounds for this —on the part of a stridently anti-Communist Administration —were obvious. But it was equally clear that the Americans could not sustain their approach if they were to have the remotest chance of boosting grain exports. Sales by competitors which the US displaced from Africa or the Middle East would simply flow where American exports could not. The Soviet Union and China, meanwhile—both feeling an acute need for savings on their import bill—would sit back and wait for prices to tumble.

That is exactly what the Soviets appear to have done. This year, according to the International Wheat Council, Moscow has sharply reduced its forward purchases of wheat—to a total of 6m tonnes at most from 14.6m at the same point in 1985.

The truth which the Americans and their competitors are having such difficulty facing is that there is just no room for growth in the grain business. The world market has always been fragile, and dependent on a few large buyers. But the number of big customers has now dwindled markedly.

For most of the years after the war, exporters of wheat and other cereals have been accustomed to a steady expansion of demand for—and world trade in—their products. In the crop year 1946-47, for example, world wheat trade totalled only 20m tonnes. In 1984-85 the total reached a record 104m tonnes.

The motor behind this growth was always the US. In the 1950s and 1960s, American farmers and traders poured their surpluses into countries like India, which faced a rapidly growing population and a huge food deficit. Yet India's spectacular "green revolution" means it is now self-sufficient in wheat, and is even exporting it—often under bizarre countertrade arrangements.

Many developing countries lack the cash to fulfil their food requirements on the world market. In any case, some African states are beginning to pay more than lip service to the need to boost indigenous food production—to keep peasants on the land and avoid aggravating their urban problems as well as to preserve foreign exchange.

Effectively, that leaves the Soviet Union towering above other importers, and faced with a growing number of exporters to play off against one another. When the Soviets cut their purchases, a huge slice goes missing from the world market.

In 1984-85, for example, Soviet wheat imports totalled 28.2m tonnes, accounting for 27 per cent of total world trade in the commodity. In the season just ended, however, after a better-than-normal Soviet harvest, Moscow's purchases are estimated to have dropped by nearly 40 per cent, and world trade fell to a dismal 87m tonnes—its lowest level for six years.

This year, Soviet purchases are expected to recover eventually, but only by a couple of million tonnes.

Barring major crop upsets, then, the world market remains condemned to stagnation. Yet thus far, most cereal producers have been acting as if they are totally oblivious of the situation. World grain production remains close to record levels. Any effort by one exporter to rein back production — such as the various acreage reduction programmes initiated by the US over the last few years — has only opened up a gap for other producers to exploit.

It is this which is so galling for the Americans, and which has driven them — like Saudi Arabia last year within Opec — to abandon its former role of "swing producer." Over the last three years, the US has taken about a quarter of its wheat acreage out of production, and held large quantities of stocks off the market. But the EEC has continued to expand its own subsidised production and exports.

In 1984-85, EEC wheat exports totalled more than 17m tonnes, against only 10m in 1979-80. In the same period, its world market share rose to 17 per cent from only 12 per cent. Other exporters have also raised their share at the expense of the US — but the Europeans remain cast as the villains of the piece, because they have boosted their own share almost entirely through the use of export subsidies.

There is no reason to expect the Community to have a change of heart in the foreseeable future — in spite of all the American huffing and puffing about export subsidies. What the US is hoping is that its own activities will cause such strains in the EEC budget that the Europeans will be forced to admit defeat in the battle for markets, or at least be dragged to the negotiating table.

It is not a consoling prospect for the countries caught in the middle, which are effectively price-takers — Australia, Canada and Argentina. They face a triple blow: from tumbling wheat prices; from the fall in the dollar (the currency of the international grain trade) and from potential losses in sales volume as a result of the American onslaught.

Nor is it at all certain that the US will get anywhere near its objectives. America's problems in boosting sales are not just economic. Many purchasers retain deep political objections to America as a grain supplier, reaching back to the US move against its Soviet grain sales in 1980. Indeed, some observers lay most of the problems of the world wheat market at the door of President Carter's partial grain embargo.

"That move indicated that the Soviet market was up for grabs," said one leading expert. "Other exporters started planting like mad and selling to the Soviets."

The US has also had severe political difficulties in two other key markets: China, which failed to honour long-term grain agreements with Washington in response to American restrictions on imports of Chinese textiles; and Iran, which had its own reasons for suspending purchases from "the Great Satan."

All that is needed now to hammer a decisive nail into the coffin of the world wheat market is a lasting improvement in Soviet agriculture. And with a former Agriculture Minister at the helm in the Kremlin, such a possibility can no longer be laughed away.

Men and Matters

Alfa loses UK driver

Alfa Romeo (Great Britain) has long been used to "touring" Italian managements: until this spring they had changed every couple of years as successive attempts to stem Alfa's UK sales plunge since the late 1970s failed.

Now, the survivors of the formerly wholly Alfa Romeo-owned UK importer's takeover by Tozer Kemsley and Millbourn (Holdings) in March are acclimatising themselves to their second chief executive within three months.

Laurence Kemmish, a TKM veteran of 15 years—though still only 35—has left the company "to work for myself."

Kemmish's move was unexpected by much of the UK motor trade, to say the least. After more than eight years of running Daihatsu UK, TKM's Japanese car importer, it was thought that the additional task of running Alfa UK operations (he also kept the Daihatsu job) would be just the kind of challenge the energetic Kemmish would be looking for.

Alfa's UK sales have been falling almost non-stop from their 13,000 peak in 1979, and had reached only 1,160 after the first seven months of this year.

In the few weeks since the takeover (though it is officially described as a joint venture, with the Milan company retaining 20 per cent) Kemmish had already reversed the long stream of dealer desertions from the network, bringing it back up to over 100 from little more than 60. So what, if anything, has gone wrong?

"Nothing" is the unequivocal reply both from Kemmish and Reg Heath, the chief executive of TKM (Holdings) who has more than had his hands full steering TKM through its several acquisitions (including Kenning Motor Group) since TKM was itself given the financial kiss of life by New Zealand entrepreneur, Ron Brierley,l ast year.

"Laurence has always been ambitious, and wanting to go off and do his own thing," Heath said last night. "And at TKM it's always been a team job. If I ran under a bus tomorrow I wouldn't expect the company to find me irreplaceable."

Kemmish was no less emphatic that the parting was harmonious. "I've considered leaving on several occasions during the past 7-8 years, but there always seemed to be something exciting to do within the company. Finally, having got Daihatsu off and running as fast as it can go (given import restraints) and with the Alfa deal signed and sealed after two years of work, I really did feel that if I didn't move now I'd soon be too old to do something on my own."

Lost property

This recent job advertisement in the Durban Daily News shows that not only concerned white liberals are leaving South Africa in droves: "Two maids—good, honest, reliable — seek permanent work. Owner emigrating."

No wonder that the Australian Government announced recently that immigration procedures for white South Africans are to be stiffened in an effort to weed out people with unacceptable racial attitudes.

Change of heart

The reprieve, confirmed yesterday, for the doughty few defying the ban on trade union membership at GCHQ assures continued publication of their excellent newsletter, Warning Signal, and its irreverent gossip column.

Among the gems in this week's issue is a tale of how adversity finally brought together those bitter opponents in the CPSA union—John Macreadie, the Militant Tendency supporter elected general secretary, and Marion Chambers, the right-wing president who has helped stop him taking up the job.

The pair, it seems, were on board the same minibus leaving the recent trade union rally at Tolpuddle, Dorset. When the vehicle suffered a flat tyre, Warning Signal says, it fell to Chambers to direct operations and to "the neatly-coiffured Macreadie" to change the wheel.

Nice to see that the spirit of Tolpuddle can still promote unity in the labour movement.

Bitter end

If there is one thing designed to ensure that American tourists never return to Britain, it is London Heathrow's new Terminal 4, according to the Airline Pilots' Association journal, Log.

An acidly humorous guide to the building suggests that "a team of psychologists was employed to make passengers believe they had arrived, once inside the scaffolding—however, the real arrival concourse is still 1½ miles' walk away."

Inside the baggage hall, it suggests, a business centre is being planned "to enable businessmen to negotiate deals while waiting for their bags."

The departures system, it says, works quite well — once you have found the building. "Most taxi companies arrange mortgages at 23 per cent over base-rate so that you will be able to pay the fare" but "T4 is not yet included in the London cabbie's knowledge test."

There is an incredibly long long of check-in desks but due to staff cuts, only one is manned. There are no seats— "a special design feature"... to drive people into the snack-bar. "where a strategically placed sub-branch of Barclays offers loans to enable thirst-crazed passengers to purchase cups of cold tea."

On the ball

Anything they can do in the West End of London, Hilary West reckons the City can do better.

So in celebration of the Big Bang to come, he is helping to organise the Big Bang City Ball —a lavish social event which ambitiously aims to raise more money for charity in one night than the Berkeley Square Ball has raised in 10 years.

That could mean up to £350,000 for the Cancer Research Campaign.

West, of chartered accountants Baker Rooke, is now supported by a formidable committee of City notables in planning the event at the Honourable Artillery Company's headquarters on September 26. But he would welcome more help.

Two thousand guests are expected to pay £100 each for tickets to the champagne reception, dinner and ball. City institutions are already responding to an apeal for sponsors of other entertainments, including a steel band, jazz band, Chinese pipes and a string quartet.

Fund-raising activities will include an auction and tombola —and £240,000 raffle tickets are on sale for prizes that include a car and a holiday cruise.

Advent calendar

Christmas, it seems, will not come quite as early as usual this year.

Gallaher's pr people sent me details yesterday of the Christmas wrappings for its cigars — but embargoed the news until August 29.

London's Jermyn Street Association is waiting until September 9-11 before letting its Santas out for a "Christmas Preview" festival.

Observer

ISRAELI POLITICS

Uneasy partners in a not-so-fond embrace

By Andrew Whitley in Jerusalem

OSTRACISED by much of the world for many of its 38 years, Israel has suddenly begun to emerge from its international isolation.

In ten days Israeli and Soviet diplomats will meet in Helsinki, at Moscow's initiative, for the first formal negotiations between the two countries since the 1967 Middle East war.

A few weeks ago it was the turn of the Arabs, as Morocco's King Hassan, chairman of the Arab League, invited Mr Shimon Peres, the Prime Minister, to sit and talk with him about how to bring peace to the region. On the face of it, little tangible was achieved. But another longstanding barrier had been demolished. Now both Jerusalem and Washington hope that President Hosni Mubarak of Egypt can be persuaded similarly to overcome his reservations and meet the outgoing Israeli Prime Minister before his term expires in mid-October, when he is due to hand over to Likud leader Mr Yitzhak Shamir under a 1984 power-sharing agreement.

Increasingly rapidly the walls of isolation have been coming down. Spain, 400 years after the mass expulsion of its Jews, established diplomatic relations with the Jewish state earlier this year.

Entering the world community of nations as a full, accepted member has, since the founding of Israel, been one of the country's most coveted goals. How to gain that standing, though, has frequently divided Mr Peres' Labour Party—the traditional party of government—from the Likud whose current head, Mr Shamir, has been defiant—and at times dismissive—of world opinion.

Under their power-sharing arrangement, reached after deadlocked elections, Labour and Likud agreed to establish a coalition government of national unity. Mr Peres would serve first as Prime Minister, for two years, and then change places with Mr Shamir for an identical period.

Mr Peres set himself four goals for his period as Prime Minister: withdrawing Israel from the Lebanese quagmire it entered in 1982, breaking the grip of dizzy inflation on the economy, warming-up the cold peace achieved with Egypt and opening talks with Jordan on the question of the Palestinians and the occupied territories.

The last point may have eluded him, though even in the closing weeks of his mandate Mr Peres is still trying to show willing. But in all other respects the record has been far better than might have been expected and the public have responded accordingly, granting the 63-year-old Prime Minister an unprecedented popularity rating.

Whether this momentum, at home and abroad, can be maintained under the gruff, blunt-spoken Likud chief, at 71 the last survivor of former Prime Minister Menachem Begin's "fighting family," is much more in doubt. Apart from his own natural caution, Mr Shamir's hands are tied by the Likud's much more rigid approach to foreign affairs. This week he dismissed outright the prospect of an international conference on the Middle East.

Unlike Labour, Likud's political platform explicitly rules out the prospect of territorial compromise on the occupied West Bank, raising the foreboding prospect that the "peace process" could go into hibernation under Likud. Across the river Jordan, officials are already battening down the hatches, preparing to sit out the coming years.

Hence the almost desperate air of hurry in the Prime Minister's Jerusalem office, to create a tide which the Likud will not be able to reverse.

The issue of talking directly to the PLO — Mr Peres told the Moroccan monarch last month that he was prepared to negotiate with "authentic" Palestinian representatives but did not define this further — remains anathema to most Israelis.

Talking to the PLO is, in any case, barred under the common platform on policies and principles drawn up by the two parties after the deadlocked elections of July 1984, which remains the blueprint of the national unity government.

Its injunctions and the goals set out in the document cover the entire canvas: from calling on Jordan's King Hussein to enter peace negotiations without preconditions to the passing of a bill against racism, and the privatisation of state assets.

For all their deep distaste for each other, Labour and Likud voters have taken surprisingly well to the rotation agreement. Opinion polls regularly show large majorities in favour of the coalition serving its full term. And an awareness of this crucial fact has probably helped sway the Prime Minister against his Labour colleagues' urgings over the past few months to capitalise on his popularity and call early elections.

Despite what must have been many heart-searching moments, Mr Peres clearly decided to put the national interest above party considerations.

A rash of political crises—stemming, as much as anything, from the symmetrical balance in the cabinet between the two rival blocs—has taken the country to the brink of fresh elections on several occasions as the rotation of the Prime Ministership drew closer.

But in each case Mr Peres avoided an election.

Coalition government has had its positive features. By ensuring a bipartisan approach to issues, it undoubtedly contributed to the success of the decisions to withdraw from Lebanon and to tackle the economic crisis head on.

But power sharing in Israel has also been a recipe for inertia, stalemate and persistent artificial crises, prolonged well beyond their natural life.

Nor has Mr Shamir's foot-dragging display over the Taba border dispute with Egypt been particularly edifying.

Under heavy American pressure, the Taba "compromis" document to be submitted to international arbitration is almost ready. But even at this late stage Mr Shamir has said he intends to reserve his right of veto within the inner cabinet. If the agreement leads to the long hoped-for summit meeting between Mr Peres and Egypt's President Mubarak, it will be a remarkable "double" for the outgoing Israeli Prime Minister in the all-important search for dialogue with the Arab world.

The principles governing the coalition arrangement allow for an equal number of portfolios for the two camps (both have minority allies) and specify the portfolios which would go to each side.

Barring any last minute hitches—and Israeli politics are always full of surprises—Mr Peres and Mr Shamir will therefore change places on October 13. Their close aides—political appointees—will move with them, and a certain amount of reshuffling will take place at the secondary level of the administration. But, provided the spirit of the coalition agreement is adhered to, everyone else is expected to retain his (there are no women in the government) place.

Technically Mr Shamir will then be entitled to serve up to the next General Election, due late in 1988. However, at any stage Mr Peres could—and may well, on an issue of national importance such as territorial compromise with Jordan—choose to pull the rug from under his feet by withdrawing Labour from the Government.

Likud could try to form a narrow government on its own, with the help of the religious parties. But fresh elections would be almost inevitable. And, judging by recent opinion polls, Labour would be strongly favoured to regain its position as Israel's natural party of government, in alliance with the small secular parties of the Left.

In recent months the age-old conflict between religious and secular Jews has once again come to the fore in a new form, with the burning of bus shelters and attacks on synagogues. A government under Likud, mindful of its religious allies, can also be expected to be more tolerant of the excesses of the ultra-orthodox Haredim.

But until fresh elections change the political balance, or the talked-about need for electoral reform is actually implemented, the arithmetic of parliamentary politics in Israel can be expected to preserve the current virtual stalemate on all but the most momentous of issues.

Mr Shamir (left) and Mr Peres.

An open letter to Mrs Thatcher from General Obasanjo

My dear Margaret,

After our meeting on Sunday, I write as one committed democrat to another. Yours is an old country with a lengthy democratic tradition; mine a new country undergoing a process of nation-building. But as democrats, we can be frank with each other.

As you know, I came to the EPG mission with reluctance. It was difficult enough for me, as an African and especially a Nigerian, to contemplate exchanging pleasantries with those responsible for the institutionalised oppression of so many of my brothers and sisters. My repugnance was exacerbated by the widely-held perception that the EPG was a substitute for action won by you at Nassau for the benefit of P. W. Botha. However, I persuaded myself that, whatever the odds, the prize was so great that I should overcome my personal feelings.

Not that I was prepared for what we found. As you know, even Tony Barber—a frequent traveller to South Africa—was appalled by what he was to see in that other South Africa which visitors seldom see. We jointly expressed our shock and dismay in our report. I have seen extremes of poverty and of oppression in many parts of the world. But South Africa unashamedly moulds both elements into a system which enables the white minority to enjoy a "Dallas" lifestyle at the expense of the great majority forced to endure conditions as degrading as anything I have seen anywhere.

In our discussions, Malcolm Fraser and I tried to convey the true nature of the system and warn against cosmetic changes which have merely softened the face of apartheid. However, such was our discussion that I must ask: Did you even read our report?

I infer from what you said that afternoon, that you had not. You concentrated on the trivia of the Government's "reforms"—like the welcome but essentially insignificant repeal of the Mixed Marriages Act—and ignored their implacable opposition to changes in the basic pillars of apartheid. As we emphasised, to begin to dismantle apartheid the Population Registration Act and the Group Areas Act must be repealed without being replaced by some measure designed to achieve the same ends under a different guise.

You gave credence to the dangerous notion that the political rights of the dispossessed can be adequately met by what President Botha calls "group rights," at the expense of individual rights and freedoms. Despite all the talk of "power sharing" between different communities, our inescapable conclusion was that this was a cloak for power remaining in white hands, and the essentials of apartheid continuing unchanged.

Nor have you any appreciation of the issue of violence. The apartheid system has an inherent violence which, through forced removal and the creation of barren homelands, had created the fiction of a white land and through the barrel of a gun denies blacks any form of legitimate political expression.

We are all opposed to violence, other than in self-defence. Why should blacks not have a right to defend their own families, homes and freedoms?

Your "moral revulsion" for sanctions struck me as unconvincing. The economic sanctions you so energetically pursued against Poland, Afghanistan and Argentina were brushed aside in your determination to withhold their application to South Africa. Yet to many of us there is only one significant difference: the victims in South Africa are black. Is sauce for the Aryan goose not sauce for the Negroid gander? Your concentration on the economic effectiveness of sanctions is disingenuous if not hypocritical. Sanctions were imposed against Poland, Afghanistan and Argentina as political expressions of outrage.

Nor can your opposition be based on any assessment of where the best interests of Britain lie. Your country has a considerable trade with South Africa, but this is dwarfed by that enjoyed with the rest of Africa; it cannot be in Britain's interests to encourage them to place their orders elsewhere. Further, your appearance as an apologist challenges the democratic forces in South Africa to seek help from whatever quarter they can. The longer term consequences for Britain, the United States and the West could be considerable.

But most of all, I was dismayed by your lack of vision. You offered no action as an alternative to sanctions. You insisted that nothing whatever be done — even though in the final analysis you moved a little. There was no vision of a way ahead; simply a forlorn hope that P. W. Botha would experience a "Road to Damascus" conversion on the road to Soweto. Such hopes are in vain.

Sooner or later Botha or his successor will be driven to negotiate meaningfully. Sir Geoffrey's visit again confirmed that Botha is not yet under sufficient pressure to do so — despite a dwindling rand, escalating inflation, a declining economy and mounting violence. More pressure must come.

I must tell you that many people around the world view your continued opposition to sanctions as founded in instinct, not logic, and as displaying a misguided tribal loyalty and myopic political vision. The consequences of such perceptions are far-reaching for a country which has traditionally claimed the high ground of principle.

Not only does the mental laager of the Boer seem to be mirrored in your own attitudes, but his fatal concessions of too little, too late are paralleled by your actions.

I am glad that the Commonwealth has moved on without you, and I know that sooner rather than later Britain will have to join us. I also know that apartheid will end, and its demise will be the product of a combination of internal and external pressures. The equation is a simple one. The less the external pressure, the greater will be the price to be paid internally. Those who seek to minimise sanctions and their effects will have the blood of thousands if not millions of innocents on their hands and on their consciences. My heart will be heavy but my hands will be clean. Will yours?

General Olusegun Obasanjo was head of the Federal Military Government of Nigeria 1976-79, when he handed over power to an elected civilian government. He is also a member of the Commonwealth Eminent Persons Group (EPG).

Letters to the Editor

Regulating the City

From T. Smith MP and J. Butterfill MP.

Sir,—We were surprised to read Sir Kenneth Berrill's letter (August 5). He complained that Clive Wolman's story (August 1) made a serious and totally unfounded accusation, namely that the Securities and Investments Board had brushed aside the demand of the Commons standing committee on the Financial Services Bill.

We cannot speak for the other members of the standing committee but we believe Mr Wolman's conclusion to be entirely fair. It is unfortunate that MIBOC never bothered to contact us to find out what our concerns were following the debate.

Had it done so, we could have explained that what we sought was a rule requiring sellers of life assurance products to tell the prospective investor what proportion of his premiums would be invested and what proportion would go in charges of one kind or another. That is now dismissed by MIBOC as neither feasible nor meaningful.

In the light of subsequent events, we regret that we did not insist on an amendment to the bill imposing a requirement on MIBOC to introduce such a rule.

This is a matter to which the House of Lords should address itself on report in October. Indeed, their Lordships would be better advised to concentrate on investor protection provisions of this kind rather than concerning themselves with the fact that City practitioners are apparently unenthusiastic about the bill. As you rightly say (August 1) the worry would be if it were otherwise.

Their Lordships might also consider the question of just how independent the SIB will be in practice. MIBOC has 10 members — only three are genuinely independent. Sir Kenneth should not be surprised therefore if people question its objectivity.

Tim Smith,
John Butterfill.
House of Commons, SW1.

Shipowners wronged

From the Press and Parliamentary Manager, General Council of British Shipping

Sir,—In your issue of August 5 you very kindly published a letter from Mr F. J. Whitworth, our deputy director-general. Unfortunately, you described him incorrectly as deputy director-general of the General Council of British Shipbuilding. We are, as you can see, the General Council of British Shipping, and as such represent UK shipowners. You will appreciate that this has nothing to do with shipbuilding whatsoever, and I am most concerned that your designation of Mr Whitworth will have led to substantial misunderstanding.

(Miss) Nicola Watkins,
30-32 St Mary Axe EC3.

Healthier figures

From the General Secretary, National and Local Government Officers' Association.

Sir,—Your report (August 2) concerning Nalgo's decision to invest £250,000 in the News on Sunday gave an impression of the union's finances which I am concerned to correct.

You report that the union is currently returning annual deficits which are predicted to rise to £11.5m in 1988-89. This information originated in a paper prepared for the union's 1986 annual conference, but which was withdrawn in favour of a motion calling for a "white paper" to be presented to 1988 conference.

Happily, current predictions indicate higher membership income than previously estimated and a reduction in committee spending. As a result, present financial forecasts for 1985-86 show a break-even position, as compared with the earlier predicted £1.4m deficit. Similarly, next year's predicted £4.4m deficit has been initially revised down to one of £1.6m. Clearly the underlying trend of the union's finances is much healthier than previously indicated.

John Daly.
1 Mabledon Place, WC1.

Priority in the queue

From Mr I Cameron

Sir,—In view of the decision of the House of Lords that depositors in a trustee savings bank have no proprietary rights against the bank and that their only rights are "those arising from and under their respective contracts of deposit," why should customers of a TSB bank at close of business on December 17 1984—and who remain customers up to the time of the TSB share offer—have priority in applying for a substantial proportion of the shares in TSB Group plc?

British Telecom did not make a distinction between its customers and other members of the public when it made its offer for sale of ordinary shares in November 1984, other than that if a customer wished he/she could forgo a one-in-ten share bonus for an appropriate discount on his/her telephone bill

I. Cameron.
2 Gamlingay Road, Potton, Sandy, Beds.

Thinking about nuclear power and joining the debate

From Professor J. Cassels

Sir, — After a period of stunned silence following the Chernobyl disaster, protagonists of the UK's nuclear power future are beginning to express themselves quite strongly. This is right and proper in preparation for an extremely important event — the Inspector's report on the Sizewell B inquiry, now only a few months away.

A heavyweight protagonist is Lord Marshall, chairman of the Central Electricity Generating Board. He has been saying that the CEGB knew long ago that certain Soviet reactors were rather unsafe, to the point that Western nations would never have built them. The Western nations have elaborate institutions to cover safety questions, whereas the Soviet arrangements are not well developed. Therefore, he says, the Chernobyl disaster should not have a strong influence on plans for new reactors in the West and on the plan for Sizewell B in particular.

Marshall has been scrupulously careful to point out that he is not saying "it can't happen here," but rather that "it is much less likely to happen here." He says that the statistical likelihood of a disaster in the UK is low enough for Sizewell B to go ahead. I don't know about this, but I respect Marshall's opinion. I want to hear the opinions of other independent protagonists, however, before putting in my vote on the issue.

So far as the votes of the British are concerned, the debate will be a massive exercise in public relations. A problem is that most people do not spend much time thinking about nuclear power. Many, no doubt, have the impression that Marshall has been saying "it can't happen here," and they have reacted by feeling that they "have heard that one before."

Marshall would have scored better PR if the CEGB had made known its views about those Soviet reactors before Chernobyl, rather than after. Why didn't it? Obviously because the CEGB had enough problems on its plate, without looking for trouble. The chances of world agreement on nuclear power safety standards must have seemed very low indeed pre-Chernobyl. But the world has been changed by Chernobyl, and the chances must be much greater now.

Lord Marshall should go on saying that Sizewell B will be safe enough so long as he believes it; but on each occasion he should also discuss critically and candidly progress in Vienna towards world agreement in nuclear power safety standards.

Marshall's voice will be joined by the voices of many others as the debate hots up. Some of them will be supported by PR units. It is of critical importance that the debate should grow to a point next winter and not again be deferred, say till after the next general election. We must have a settled plan by the spring, capable of flexible adjustment, for our nuclear development. And we must have a settled national energy plan (NEnP) capable of flexible adjustment. In the past quarter of a century we have had neither, with horrible results. This vacuity in planning is especially British, and cannot be banished by privatisation followed by the operation of market forces. That political technique may be good for the execution of a NEnP, but it is almost useless for forming a NEnP because the lead times (up to three decades) are far too long. Should we abandon nuclear power simply because oil is cheap this month? Of course not.

What can we all do to try to ensure constructive results from the debate? Everybody must try to speak the truth as candidly as he or she can manage, and without paranoid raving (after all, it is the future that is at stake, not the past). The media must make a very special effort to carry the debate to the public with high standards of reportage: that applies even to mass-circulation newspapers (after all, there is enough high drama in the situation to make sensationalism completely redundant). The public should try hard to pay careful attention. Nobody who wants to give his or her opinion should be gagged by Whitehall dirty tricks. The Official Secrets Act should be put aside for the duration. The same applies to the internal censorship systems that operate in some institutions, both public and private.

It could all be fun, and delightfully un-British. We might even catch the habit and simply forge ahead economically in the future.

(Professor) J. M. Cassels.
14, Dudlow Court, Dudlow Nook Rd, Liverpool.

FINANCIAL TIMES
Friday August 8 1986

Ulster MP held as Protestants march into Republic

By Hugh Carnegy in Belfast

A LEADING Northern Ireland politician was being held last night under the Irish Republic's anti-terrorist laws after an unprecedented incursion south of the border by a large group of Ulster Protestants.

The 2am demonstration in the border village of Clontibret, in which two members of the Irish police force were injured, was the latest in a series of actions against the Anglo-Irish agreement by hardline supporters of Northern Ireland's union with Britain. The organisators claimed it proved that security along the border had not been improved by the accord, as both Dublin and London assert.

The incident, the most dramatic in a night of Protestant demonstrations, was dismissed by the two governments as an irresponsible stunt. But it clearly was an embarrassing show of strength which has left the Republic with the sensitive problem of how to deal with Mr Peter Robinson, a British MP and deputy leader of Mr Ian Paisley's Democrat Unionist Party.

He was the only person arrested when armed Irish detectives dispersed the crowd, estimated at several hundred strong, by firing shots over their heads.

Mr Robinson, who was visited at Monaghan police station by his wife and several party colleagues, told a radio station he had done nothing wrong and had merely been watching the demonstration which proved border security was "a shambles." Mr John McMahon, deputy commissioner of the Irish Police, was sent to take charge of his case.

An Irish spokesman said that far from proving that border security was lax, the opposite was true. He said the Royal Ulster Constabulary had tipped off the Irish police before the demonstration that "loyalists" might try to cross the border. Patrols were stepped up and the intruders were quickly confronted and dispersed.

Mr Tom King, the Britain's Northern Ireland Secretary, said the UK Government was working to get improvements in security along the 300-mile border and the Anglo-Irish agreement was the best way of achieving this. He called the incursion disgraceful.

They came as security forces were at "maximum stretch" to counter recent Irish Republican Army death threats to civilians working for the security forces, Mr King said. A Protestant paramilitary grouping, the Ulster Freedom Fighters, last night countered these threats by saying it considered as a legitimate target any person it believed to be in any way involved with the IRA.

A similar demonstration by masked Protestants marching in military style was held during the night in the mainly Roman Catholic village of Swatragh in Northern Ireland. The Royal Ulster Constabulary said it foiled other planned demonstrations across the province by halting cavalcades of hundreds of vehicles and thousands of people after being tipped off on Wednesday afternoon.

Barclays' profit growth falls behind UK rivals

BY NICK BUNKER IN LONDON

SIR TIMOTHY Bevan, chairman of Barclays, the UK banking group, warned of the dangers of unwise lending to British consumers and home-buyers yesterday as he reported a surprise slowdown in half-yearly profits growth.

The group rounded off the "big four" clearing banks' interim reporting season by announcing that pre-tax profits had grown at a substantially slower pace than those of its rivals. At £434m ($638m) in the year ending June 30, earnings were up 8 per cent on 1985.

City analysts had forecast a pre-tax figure of up to £475m. National Westminster, another major UK bank, last week disclosed a 34 per cent leap in half-yearly pre-tax earnings.

Sir Timothy said Barclays could have produced results closer to expectations if it had expanded its loan book more rapidly. But in the interest of "long-term prudence" the bank had restrained the growth of advances to UK borrowers, which rose by only 2 per cent.

UK BANK PROFITS
Six months to June 30

	1986	1985	Change
	(£m pre-tax)		(%)
Barclays	434	403	+ 8
Lloyds	335	264	+27
Midland	195	151	+29
NatWest	482	361	+34

"We felt that this was really not the time to be going for growth," Sir Timothy said. Individual lenders and borrowers might usefully begin to show some restraint, he said.

"If you expand lending a lot, almost by definition you lower your quality. It may pay off immediately but the bad debts come three or four years later," Sir Timothy added.

Charges for Barclays' bad and doubtful debts in the UK had risen by 3 per cent to £108m, with a heavy concentration of bad debt experience in loans to smaller borrowers.

Overall, provisions against loss fell from £217m last June to £196m.

But Barclays revealed that 58 per cent of its UK bad debts were for sums of less than £30,000, and 40 per cent for sums under £15,000. The group increased provision against loss from Barclaycard, its credit card subsidiary.

Sir Timothy singled out mortgage lending, where Barclays had experienced disappointing growth in the first four months of 1986, and was lending on "traditional policies" of up to 2½–3 times income.

"We hear of 110 per cent mortgages being offered to first-time buyers and at up to four times income. That sort of thing is almost bound to end in tears," he said.

Pre-tax profits from domestic operations were "disappointing," Barclays said. They rose by only £4m to £200m, with margins squeezed by the offer of free in-credit banking, lower interest rates, intensified competition for loans and retail deposits and the costs of staff retraining and branch renovation.

See Lex; Details, Page 14

Chicago traders set the spread on butter

By David Owen in Chicago

It's Friday. It's 10am. And in a far flung corner of the Chicago Mercantile Exchange's cavernous trading floor – somewhere between the interest rate futures pits and the spiral staircase – business is about to begin on the exchange's best kept secret: the weekly spot butter market.

Time was when butter and eggs were the very foundation of the Exchange. Today half a dozen traders man a bank of telephones, the US Department of Agriculture observer clutches his pencil in anticipation and the exchange's Mr Tom Vegetable stands poised to chalk up bids on the appropriate blackboard. (The spot butter market has yet to go high-tech.)

An official declares the market open and they are off.

By 10.12am it is all over. There has been no trade. But all three deliverable grades have been bid sharply up in bargaining on the floor, in line with a shift in the government's sell-back price – the price at which it sells back to the market butter it has bought in times of glut.

"The busiest day I can remember there were 18 trades," recalls Mr Brian Shannon, a broker with Heinold who makes the long trek over from the cattle auctions pit to trade butter once a week. "A while back, we traded until 11.03," he adds.

This must have come as a shock to participants in the "butter pool" – a weekly sweepstake among traders tied to the market's closing time, which cynics say is the main reason why the spot butter contract is still trading.

As in Europe, the government is the dominant factor in the American butter market. It guarantees producers a minimum price for their product by offering to buy whatever is not sold commercially and will sell back to the trade in times of shortage – at 110 per cent of this price or the prevailing market level, which ever is higher.

This determine the range at which butter trades on the supposedly "free" market.

Until 1919, the exchange was officially known as the Chicago Butter and Egg Board.

But the long standing price guarantees inherent in the government support programme eventually took their toll and trading in butter futures ceased in August 1976.

Why has spot butter survived when butter futures and other contracts such as shrimp and onion futures have long since perished? Mr Shannon puts it down to tradition. "It would be very easy for dairies to get on the telephone to each other to agree prices," he says. But Mr Bill Kokontis, CME senior economist, believes that the market still provides a valuable service to the dairy sector.

"It is one of the few free markets available to the industry," he points out. "The price discovery process is still valid. There are still cargoes of butter looking for a home."

Somewhat improbably, the exchange recently altered some of the contract specifications to keep them in line with industry standards. The major change was to raise the lot size deliverable from 38,000 pounds to 40,000 pounds.

"Refrigerated trucks are now built of lighter material, enabling their payload to be increased" Mr Kokonts explained.

It is even possible that butter futures might stage a belated comeback, despite the exchange's increasing domination by financial contracts.

Talks about a relaunch have taken place, Mr Kokontis confirms, adding that officials are now fully conversant with dairy industry standards, thanks to the spot market revamp.

WestLB reorganises in drive to strengthen world business

BY JONATHAN CARR IN FRANKFURT

WESTDEUTSCHE Landesbank (WestLB), West Germany's biggest public sector bank, is reorganising its investment banking and foreign trade financing operations as part of a drive to strengthen its business worldwide.

In one move, a new investment banking unit will be set up at WestLB's Düsseldorf headquarters to handle all domestic and international securities business.

The unit, for which Mr Axel Kollar of the executive board will be responsible, will also deal with that part of international credit business not serviced direct by the bank's foreign branches.

As a result, a single management team will in future handle all WestLB's activities in stock and bond trading, placement, syndication, swaps, product development and marketing.

In another move, a single unit will be established under Mr Eberhard Weiershäuser, to draw together the fields of export finance, commercial foreign business and foreign business advisory services hitherto handled separately.

The moves, which take effect from next January, aim to take account both of the growing internationalisation of banking business and the trend to ever stronger "securitisation" of public sector and corporate financing.

WestLB notes that while financing through issue of securities accounted for only 40 per cent of all funds supplied by the capital markets in the 1970s, today it makes up around 80 per cent.

Already this year WestLB has taken a majority stake in Bank für Kredit und Aussenhandel in Switzerland, which it plans to integrate into its existing investment banking activities, and is negotiating to set up a securities trading operation in Tokyo.

WestLB also underlines that it plans to boost its other international investment banking activities, especially in London.

In past years the Landesbanks have been criticised in Germany on grounds they were extending activities abroad, although they were originally set up to play a domestic role – above all in the states in which they are based. But WestLB stresses that with the growing integration of international capital markets, this argument is becoming ever less valid.

WestLB also announced that operating profit in the first half of this year rose by about 5 per cent to DM 578m ($278m) thanks to strong results from own account trading in securities and foreign exchange.

Partial operating profit (excluding own account trading) was down by 10.9 per cent to DM 411m. An 8.3 per cent rise in the surplus on commissions reflected the continuing growth of WestLB's securities business.

Royal Dutch/Shell income falls 16%

BY LUCY KELLAWAY IN LONDON

ROYAL DUTCH/SHELL, the Anglo-Dutch oil group, yesterday reported unexpectedly strong second quarter results, showing a modest 16 per cent decline in net income to £545m ($801m) despite the steep fall in crude oil prices and currency losses of £126m caused by the weakness of the dollar.

After allowing for stock losses of £362m, earnings were 27 per cent higher at £907m, up to £100m more than some analysts had been expecting.

London market enthusiasm for the results was lost, however, against the background of a falling stockmarket, and uncertainty over the efficacy of Opec's agreement reached earlier this week to cut oil production. Shell Transport and Trading shares closed unchanged at 833p.

Doubts about the Opec agreement led to another volatile day on the oil market. Cargoes of Brent started the day nearly $1 higher than Wednesday at $14.40, but closed at $13.60, up 55 cents.

Oil traders said yesterday that the market was more than usually susceptible to rumour. Prices were first towed up by unconfirmed reports that Saudi Arabia might abandon netback pricing, which it adopted last year in order to boost its market share, and then depressed by fears that Opec oil production would rise sharply when the present two month agreement expires.

Shell's second quarter results show lower profits "upstream" – in exploration and production – made up for by a surge in profits "downstream" – in refining and marketing.

However, if prices remain depressed for the rest of the year a better performance downstream cannot be expected fully to compensate for the damage caused upstream, Shell warned yesterday. In such a case, profits for the year measured either on a historic or replacement cost basis would be lower, it said.

Refining margins held up well during the second quarter, although they were not quite as high as during the first quarter, when the effects of lower oil prices had not worked though lower oil product prices.

See Lex; Details, Page 15

Insider traders caught by pact

Continued from Page 1

The other members of the alleged ring were Mr Harvey Katz, the father of Marcel, from Houston, Texas; Mr Mordo, the father-in-law of Mr Harvey Katz; and Mr Fred Rizen, a stockbroker with Milwaukee company.

Under the settlement agreed with the SEC, the $2m in trading profits is to be paid back, while a further $2m will be paid in fines by Mr Harvey Katz – the single biggest penalty ever levied for alleged violations of the US securities law.

Although the agreement with the SEC includes a standard phrase that the settlement has been reached "without admitting or denying the charges" – a legal formula which gives the defendants some protection from private litigation – Mr Marcel Katz will be barred from working again in the US securities industry, and Mr Rizen for at least three years.

The SEC investigation was launched immediately after the announcement of the RCA takeover because of the exceptional activity in its stock. The shares rose by almost $16 in the three trading days before the announcement was made after dealing had closed on December 11.

Finland defends its currency

Continued from Page 1

The Bank of Finland's dramatic move yesterday caused a new wave of unrest in the markets.

They appear to have been unimpressed by the warning last week from Mr Rolf Kullberg, chairman of the Bank of Finland, that a flexible call money rate meant that "potential exchange rate speculation would rapidly cost both the speculator and its financier dear."

"The Bank of Finland has underestimated the market power against small currencies," said one leading foreign exchange dealer in Stockholm yesterday. "What last Monday was a small problem has now become a crisis. The question is how long can you keep interest rates at this level. With this mechanism, where do you stop?"

"The feeling in the market is not a very good one," said another dealer. "It is almost impossible to trade the currency outside Finnish market hours. We are not quoting, we don't want to buy any Finnmarks we cannot sell."

Despite intense speculation in the market about a looming devaluation of about 5 per cent, some dealers still insisted that the central bank was determined to stand firm.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	28	82	Dubrovnik	S	30	86	Malta	S	30	86	Rhodes	S	27	81
Algarve	S	31	89	Edinburgh	C	15	59	Manchester	R	14	57	Rio de J'o	S	34	93
Amsterdam	C	18	64	Faro	S	33	91	Manila	C	32	90	Rome	S	28	82
Athens	S	33	91	Florence	S	32	90	Melbourne	–	–	–	Salzburg	S	27	81
Bahrain	S	35	95	Frankfurt	S	30	86	Mexico City	C	25	77	San Francisco	C	19	66
Bangkok	S	32	90	Funchal	S	24	75	Miami	C	30	86	Seoul	F	28	82
Barcelona	C	28	82	Geneva	S	28	82	Milan	S	30	86	Singapore	F	30	86
Beirut	F	29	84	Gibraltar	S	30	86	Montreal	R	25	77	Stockholm	F	19	66
Belfast	C	14	57	Glasgow	C	16	61	Moscow	S	23	73	Strasbourg	F	28	82
Belgrade	F	26	79	Guernsey	C	16	61	Munich	S	26	79	Sydney	C	15	59
Berlin	S	27	81	Helsinki	F	20	68	Nairobi	S	25	77	Taipei	S	31	88
Biarritz	F	22	72	H. Kong	F	31	88	Naples	S	34	93	Tangier	S	25	77
Bombay	D	33	91	Innsbruck	S	27	81	Nassau	S	33	91	Tel Aviv	S	30	86
Bordeaux	C	19	66	Inverness	R	12	54	New Delhi	S	34	93	Tenerife	S	28	82
Brussels	F	19	66	Islamabad	C	29	84	New York	C	29	84	Tokyo	C	29	84
Budapest	S	29	84	Istanbul	S	29	84	Nice	S	29	84	Toronto	R	27	81
B. Aires	C	16	61	Jakarta	R	30	86	Nicosia	S	38	100	Tunis	S	33	91
Cairo	S	33	91	Jersey	C	16	61	Oporto	C	21	70	Valencia	C	29	84
Cape Town	S	21	70	Jo'burg	S	18	64	Oslo	C	15	59	Venice	C	29	84
Caracas	S	28	82	Lima	C	18	64	Paris	C	19	66	Vienna	S	27	81
Casablanca	S	25	77	Lisbon	S	24	75	Peking	S	31	88	Warsaw	S	25	77
Chicago	R	22	72	London	C	18	64	Prague	S	25	77	Washington	F	21	70
Cologne	–	–	–	Los Angeles	C	23	74	Reykjavik	F	13	55	Zurich	S	25	77
Copenhagen	S	22	72	Luxembourg	F	19	66								
Corfu	S	31	88	Madrid	F	31	88								
Dallas	–	–	–	Majorca	S	29	84								
Dublin	R	14	57	Malaga	F	22	72								

Readings at mid-day yesterday
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

S. Africans warn of new curbs

Continued from Page 1

and chief executive of Royal Dutch Shell's local subsidiary, said that foreign exchange shortages would force greater government intervention in the economy, including import, foreign exchange and investment controls and, ultimately, price and wage curbs. He predicted a new phase of import substitution to develop domestic raw materials, components and machinery.

The pro-government newspaper Beeld commented yesterday that the sanctions campaign was a "watershed which will determine South Africa's relations with the rest of the world for many decades to come."

The paper warned that countries imposing sanctions against South Africa would find that their influence over the country would diminish instead of grow. Reflecting a likely growth in trade with the Far East and possibly Eastern bloc countries, Beeld said that sanctions "may even mean the end of South Africa's close ties with the European world."

South African customs authorities continued yesterday to slow traffic from Zambia and Zimbabwe by tightening checks at border crossing points.

Southbound traffic was delayed for an hour or two, but haulage companies reported no undue delay on northbound shipments.

For the time being, the delays appear to be mainly an inconvenience aimed at demonstrating the extent of South Africa's hold on the foreign trade of countries such as Zambia and Zimbabwe.

Of more immediate concern to shippers and freight agents is the impact on their cash flows of the stiff import deposit scheme imposed earlier this week on goods passing through South Africa to Zambia.

The deposit, made up of the normal rate of customs duty on a particular item plus a 25 per cent surcharge, in some cases amount to more than the value of the goods. It must be paid in rand and is only refunded on presentation of proof that the goods have reached Zambia.

THE LEX COLUMN

Hammering the engineers

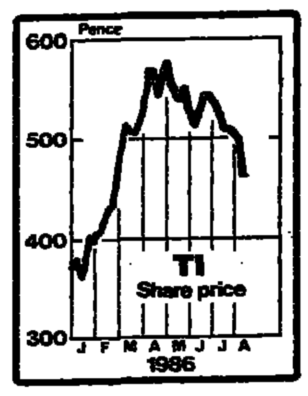
After Wednesday's shock from GKN, the market was not to be derailed from its engineering worries by any kind of figures from TI, whether good, bad or unchanged. When TI produced trading figures that were certainly no better than the previous year, and perhaps a little worse before the standard engineer's pension contribution holiday, there was no preventing the shares from getting the GKN treatment, down 33p to 463p.

That was in some respects unfair. Although nominally in the same sector, TI has a different product mix and geographical exposure from GKN, and is not forecasting a crunch in the second half. Moreover, it has just moved its pre-tax profits up by 44 per cent in the first half, to an almost respectable £18.1m. The catch is that TI's own more optimistic expectations, expressed in the last annual report, have not been met – and by some margin, it would appear. The earnings are swamped by extraordinary items, and the dividend paid from reserves. Anyone minded to hammer the stock had a perfect opportunity.

The picture is perhaps redeemed by prospects for the year after next – pity about the one before that – when long-term automotive work could start to pull earnings ahead quite smartly. Meantime, TI will have to watch out for rough marketing in the European tubes market, as much as in bicycles where cost reductions are being made to look almost pointless by the shrivelling of demand. The Abdullah brothers must regret not placing their shares when they would have fetched the best part of £10m more.

BOC

Having taken a consistently sceptical view of its economic surroundings, BOC has finally taken the axe to its chronically depressed graphite electrode business, and thus ironically provided one of the market's rare flickering sparks, the shares rising 8p to 315p. Not that BOC's nine month figures did much to dissipate the gathering expectation of sluggish profits; were it not for a £13.2m reduction in BOC's patent supplementary depreciation charge and £8m of currency effects, profits would actually be lower. At £135.2m pre-tax, however, BOC is showing 14 per cent improvement



over the restated 1985 figure, and earnings are up by about 7 per cent.

Graphite is the main cause for yesterday's relaxed treatment of the shares. Writing £128m off the capital employed is an acceptable mid-way position between closing the electrode business down and hanging on in hopes of making an eventual sale. At the price of a hole in this year's revenue account (above or below the line, the number is so large that analysts will add it back to earnings anyway) BOC will be able to avoid depreciation of £11m and thus ensure that the cash flow from graphite is matched in future by reported profits: but a recovery in the rating still depends on positive progress in gases and health.

Shell

The regularity with which Shell beats the brokers' forecasts is becoming tiresome, except for its shareholders, who have enjoyed a 20 per cent outperformance against the market over the past two months. The share's inability to add to its gains yesterday was more a correction to the overexuberance that followed the Opec meeting, than a lukewarm response to the results.

The market has consistently failed to account for the size of the benefits Shell gets from steadily falling crude prices, as it takes advantage of the sluggishness with which the product markets adjust. The current cost ex-US downstream profits of £311m may be about £100m short of the first quarter figures, but they are still enormous. If crude prices were either to stabilise or even rise gently then the falling parachute of product prices would no longer hover above an ever subsiding ground. Terra would become firma once more and the resulting delayed impact would certainly flatten profits.

That is not to denigrate this set of results. Even including stock losses, it only requires a stripping out of the corporate currency losses to get a bottom-line result unchanged from the same period last year. This is close to unbelievable, but there are some special factors. Gas, which represents a considerable minority of upstream profits, tends to be sold at a rate tied to the oil price of six months previously. So second half gas profits will be greatly reduced. A maintained Royal Dutch payout suggests a prospective yield of almost 7 per cent for the Transport and Trading shares. To peer further than the current year would be a blindfold walk across a tightrope.

Barclays

Barclays' outstanding restraint in the face of the competition may win it a medal from the Bank of England: it was not responsible for a penny of the overall growth in sterling lending this half year. The decision to let market share slip, rather than take risks on all those dubious loans, may not earn Barclays bouquets from its shareholders, though, given that it led to pre-tax profits of £434m, £17m down on the second half of 1985; investors must find it hard to recognise the gunslinging bandit of yesteryear.

No doubt there is some silly lending going on, but the implication that all the extra loans Barclays' rivals are arranging now will end in tears, can hardly be supported. With the competition getting hotter, as the TSB and the building societies go for business, even Barclays seems to accept that it has been over-cautious. At the same time, free banking has cost much more than expected, improvements in customer service are expensive, and the small proportion of fixed-rate loans in its book has left Barclays more vulnerable than others to falling interest rates.

In a few years time, Barclays' decision may be vindicated by lower provisions, but this year profits will be struggling to reach £900m against £854m, while NatWest may be first to £1bn. A multiple of under 5½, with the shares down 20p to 455p, may look low to US investors, but at home there are faster growing earnings similarly priced.

FINANCIAL TIMES
Friday August 8 1986

Reichmanns interested in Cadillac Fairview

BY ROBERT GIBBENS IN MONTREAL

THE REICHMANN brothers, of Olympia and York Developments, the Canadian real estate and resources group, have expressed interest in buying full control of Cadillac Fairview of Toronto, one of North America's biggest real estate groups, from the Edgar and Charles Bronfmann family.

Olympia already owns 26 per cent of Cadillac Fairview, which was put up for sale earlier this week. The Bronfmann family, through Cemp Investments, their private holding company, increased their voting control of Cadillac Fairview to just more than 50 per cent two years ago when the Reichmanns appeared to be trying to obtain majority control.

On Tuesday Cemp made a paper gain of nearly C$500m (US$384.6m) after Cadillac management said it had asked investment banks to solicit offers for all the company's 78m shares outstanding.

Real estate developer stocks are habitually undervalued in Canada, partly for accounting reasons. Before the announcement, Cadillac Fairview's shares were selling at about C$23, valuing the company at almost C$1.8bn.

Trading of the stock was halted while the information was disseminated and an hour later reopened at $31, indicating a market value of $2.4bn for Cadillac Fairview.

Cadillac Fairview carries assets in its books at C$3.7bn, and the management has argued that the real value is worth C$49 a share on a replacement basis. However, analysts are sceptical of that figure and the market indicates that it is too high.

Mr Paul Reichmann, vice president of O&Y, said: "We will be looking at it. If Cadillac Fairview is available at a reasonable price we will be buyers and if not we would be sellers."

Trizec, controlled by Edgar and Charles Bronfmann's cousins Peter and Edward, who have another leading North American real estate group, said it doubted "whether we would be a player." A similar view was expressed by Bell Canada Enterprises, the telephone utility and telecommunications group, which has become a major force in real estate in the past two years.

Cadillac has some of the finest office and retail properties in Canada including the Toronto Dominion Centre, worth about C$1bn. About half its assets are in the US.

However, Olympia's real estate holdings are larger and include the World Financial centre in New York, now being completed.

Analysts believe Cemp may be ready to sell its Cadillac control in order to concentrate on its own distilling business, Seagram.

Deutsche BP sees rise in earnings

By Our Financial Staff

DEUTSCHE BP expects to improve further in 1986 after net profits in 1985 of DM 36.6m ($12m) against DM 2.9m a year earlier. The group also expects to boost investment to DM 250m for this year from DM 110m last time.

The rise in 1985 profit was due above all to a successful restructuring which Deutsche BP had been carrying out in recent years.

For 1986 Deutsche BP expects its two non-oil sectors – chemicals, and coal and gas – to show improved results. The company said it hoped its operating results in the oil sector in 1986 would be enough to offset an expected DM 500m write-off in the value of oil stocks this year.

Deutsche BP's oil sector contributed DM 100m towards overall operating profit in 1985, reversing losses of around DM 90m in 1984.

Deutsche BP expects the oil sector's sales to increase by 6 per cent this year after rising 4 per cent to 14.4m tonnes last year.

Of the company's 1985 operating profit of DM 280m the chemicals sector contributed DM 100m and the coal and gas sector DM 70m.

Following the improved profit outlook, Deutsche BP said it was ready to look more closely into expanding its activities, including the possibility of acquisitions.

BRITISH DRUGS COMPANY REACHES FOR A LONG-CHERISHED AMBITION IN THE US MARKET

Boots gets ready to pay the piper

BY TONY JACKSON IN LONDON

THE proposed purchase of Flint, the US drug company, by Boots, the UK retail chemist and pharmaceuticals manufacturer, for up to $600m has attracted a lot of criticism, and Boots feels hurt about it.

"We're rather disappointed by the reception for the deal," said Mr Peter Courtney, Boots' finance director. "We do feel passionately that this is the right business for us to have acquired, and we're delighted to have pulled it off."

Criticism of the deal has mostly fixed on the price. In relation to Flint's earnings – the price/earnings ratio is around 25 - the deal is not cheap, but neither is it astronomic for a company which has tripled its pre-tax profits over four years (the 1985 figure was $33.1m).

In the context of Boots' long-cherished ambitions in the US market, Flint has several shortcomings. It has no research department; it has only one important product, and no new ones in prospect; and its major strategic asset from Boots' point of view – the sales force – numbers only 70. This works out at a purchase price of something over $8m per salesman, and even combined with Boots' existing US sales force, the resulting total of 270 is not big enough to handle national launches of new products.

On the stock market, the apparently spendthrift nature of the deal, combined with an onslaught of 184m new Boots shares to pay for it, has pushed the share price down by over 15 per cent since the beginning of the week, to close yesterday at 211p. It is just possible, though, that the acquisition represents an instance of the market thinking short while a company thinks long.

Compared to other UK drug companies, Boots is a relative late-comer to the US market. Earlier entrants such as Glaxo, Beecham and ICI all found it necessary at a certain point in their development to pay very large sums to establish their positions as independent forces in the market (Wellcome is the exception, having operated in the US throughout its history).

Typically, companies begin by signing away large chunks of profit by licensing their plum products to one of the big US drug companies (in ICI's case, its pioneering heart drug Inderal, to American Home Products.)

Mr Eric Cliffe, head of Boots' industrial division, said "there has to come a stage along the path where you stop living off licences, and gain control. To do that you have to pay the piper. Beecham, Glaxo and ICI all had to take the same route, and I think you'll find we're at about the same level of development that Glaxo was when they were about to launch Zantac" – the hugely successful ulcer drug – "in the US market."

Unfortunately, Boots also paid through the nose in those initial stages. Ibuprofen, the very successful anti-rheumatic drug which remains the only big seller yet to have emerged from the group's own laboratories, was licensed to Upjohn, the big US drug company, in 1974. By the early 1980s, Ibuprofen had become the biggest selling drug in the US market and; says Boots, in 1981 Upjohn made an estimated $38m from the product, against Boots' $13m from royalties and supply of raw materials.

But the group now reckons to have a couple of substantial drugs in the pipeline – one heart drug and one anti-depressant – which should be ready for the early 1990s. To exploit those properly in the US market, it would certainly be necessary at some point to step up US spending dramatically, whether through acquisition or by recruiting and training several hundred more salesmen from scratch.

But, Boots says, there is also a shorter-term objective. It has recently bought the rights to an anti-depressive drug called Prothiaden, which is brand leader in the UK with some 20 per cent of the market and sells in a further 13 countries.

US clearance for Prothiaden is expected by the end of the year. Boots has also recently bought the US rights to E-Mycin, an antibiotic developed by Upjohn. Mr Cliffe said "it's not merely a question of the 1990s. We need a bigger operation to handle just what's coming through in the next 12 months."

Nearer at hand again, there is the question of what the combination of Flint and Boots can do for Boots' own US sales of Ibuprofen, whose US patent lapsed earlier this year. As Boots itself admits, it is hard for its sales force to get access to US doctors to talk about Ibuprofen, since the product has become familiar over the years, and the marketing lead in any case belongs to Upjohn.

With Flint, though, it is a different matter. By far its biggest product is Synthroid, which is the leading US treatment for thyroid deficiency. There is a suspicion that thyroid deficiency is being underdiagnosed among the 3m sufferers in the US. As a result, "there's no doubt," Eric Cliffe says, "that a Boots salesman talking about Synthroid will get to see more doctors than he does now. Doctors have their minds made up about Ibuprofen, either way."

For the stock market, the price Boots is paying, and the consequent dilution of earnings, is likely to remain a stumbling block for some time to come. But, Eric Cliffe said, "these are the prices in the US. We had to jump the hurdle sooner or later, and this is the right time."

Pearson reorganises board as managing director retires

BY MARTIN DICKSON IN LONDON

PEARSON, the publishing, banking and industrial group, yesterday announced the retirement of Mr John Hale, its managing director, and the appointment of two new executive directors – Mr Frank Barlow and Mr Mark Burrell.

Mr Barlow, 56, is chief executive of the Financial Times newspaper and of Westminster Press, both owned by Pearson, while Mr Burrell, 49, is a managing director of Lazard Brothers, the merchant bank in which Pearson has a large stake.

Mr Hale, who is 62, joined Pearson as managing director three years ago. He will retire from that post on September 1 but will remain a non-executive director and retain a number of part-time duties.

Lord Blakenham, chairman and chief executive of Pearson, said that Mr Barlow and Mr Burrell would join himself, Mr James Joll, finance director, and Mr David Veit, who is in charge of the group's US business, in forming a new executive team.

"We shall continue the strategy of concentrating our activities on businesses where we are likely to have long-term competitive advantage," he added.

Pearson has recently been the subject of bid speculation. Asked whether the changes had any connection with this, Lord Blakenham said: "Not at all. The reorganisation Mr Hale came to help with is significantly completed and the time is now right to put in place a team that is going to be dealing with the long-term future of the group."

The new board will not include a managing director. Mr Barlow will retain his existing positions at the Financial Times and Westminster Press.

Mr Burrell, who has been a non-executive director of Pearson since 1977, will be closely involved in the strategic development of the group. However, he will remain chairman of Lazard's venture capital businesses and will remain on the bank's board.

Lord Blakenham said last night that Mr Hale, who joined Pearson from Alcan Aluminium, had made a major contribution in focusing the group and strengthening its structure and organisation.

Writedowns push Halliburton to loss

BY TERRY BYLAND IN NEW YORK

HALLIBURTON, the Dallas-based oil services firm, suffered heavy write-downs of property, plant and inventories, prompted by the continuing slump in the oil industry, driving it into a net loss of $524.6m, or $4.94 a share, for the second quarter. The comparable period showed a net loss of $474.8m, or $1.35 a share.

The company attributed "more than 90 per cent" of the latest loss to the non-recurring write-downs of $488.7m which, it said, had little effect on cash flow.

At operating level, Halliburton lost $68.8m in the second quarter before the write-downs, compared with income of $174.1m last year. Operating loss for the first half year now stands at $551.1m against a similar loss of $95m. Net loss for the six months, including write-downs, is $513.4m, or $4.83.

The company said a major objective has been to reduce its operations to fit what it sees as a much smaller market in the future. Domestic oil drilling activity continued to plunge in the second quarter,

Prudential acquires Chesterton

PRUDENTIAL Property Services, the estate agency arm of Prudential Corporation, Britain's largest life company, is expanding its operations into the London area for the first time with the acquisition of one of London's most prestigious estate agencies, Chestertons Residential, writes Eric Short in London.

Following its usual practice, the Pru would not reveal the cost of acquiring the whole of Chestertons Residential's equity.

Chestertons Residential operates from 10 offices, most of them situated in the West End and Central London dealing with properties in the upper end of the market.

This latest acquisition was described by Pru Properties managing director, Mr Graham Clay, as the "jewel in the crown" of its agencies.

FII buys Lotus for £19m

BY LIONEL BARBER IN LONDON

FII, Welsh footwear manufacturer, yesterday announced it was buying Lotus, one of Britain's best known shoe makers, in an agreed £19m ($28m) cash and shares deal which will make FII the third-largest UK shoe manufacturer measured by sales and production.

The seller is Burton Group, the fashion retailer which acquired Lotus when it won control of Debenhams, the stores group, after a bitter £560m takeover battle last year.

Burton said yesterday that Lotus did not fit with its core retailing business. The disposal also matches Burton's aim of reducing gearing.

Following the Debenhams takeover, group debt rose to more than £300m.

Burton is also negotiating with a handful of prospective buyers for Hamleys, the famous London toy shop, and Rayne-Delman, the US footwear retailer. Both were acquired along with Debenhams, and draft sales contracts have been prepared. The Hamleys sale is expected to come first and will raise at least £25m.

Lotus, founded in 1780, made £4m pre-tax profits on £36m turnover for the year ended January 1986.

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INTL. COMPANIES & FINANCE

Rustenburg builds up its war chest

AS CHAIRMAN of Rustenburg Platinum Holdings, South Africa's and the world's biggest platinum producer, Mr Gordon Waddell can afford to shrug his shoulders at the prospect of stiffer sanctions against South Africa. "Of course, it's a concern, but what can you do?" asks the former Scottish Rugby flyhalf.

Rustenburg alone provides about 40 per cent of platinum group metals outside the Soviet Bloc, and has so far benefited handsomely from South Africa's political and economic problems. Fear of an interruption of supplies has helped push the platinum price up sharply in the past year, while the decline of the South African rand has boosted rand-denominated earnings of Rustenburg and other local exporters.

The extent of Rustenburg's good fortune was apparent from the company's annual results published towards the end of July. *Distributable income* jumped by 65 per cent to R258.2m ($98.5m) in the year to end-June. The annual dividend was raised by 50 per cent to 135 cents a share.

If platinum demand remains strong and the rand continues at present levels, Rustenburg can look forward to another hefty rise in profits during its present financial year. At an average price of $440 an ounce and an exchange rate of 40 US cents to the rand, South African platinum producers will receive R1,000 per ounce, compared with the average of R827 an ounce in the 12 months to June 30.

The outlook for platinum remains bullish. Johnson Matthey, Rustenburg's sole marketing agent, said in its recent review Platinum 1986 that "one may expect a continuation of the slow but steady growth of demand for platinum that has characterised the past 18 months or so, whilst scope for increased supplies is limited."

US support

Mr Waddell hopes that the current unexpectedly strong surge in Western European demand for cars fitted with platinum-bearing catalytic converters will offset a flattening-out of the North American car market. The motor industry accounts for about a third of total industrial demand for platinum.

The platinum market is also being supported by US and Japanese investors. Hoarding has become an increasingly important component of demand for the silver-grey metal, rising from zero in the early 1980s to 260,000 oz last year, equal to almost 10 per cent of total supplies.

Referring to the growing variety of bars, coins and other investment vehicles available to platinum hoarders, Mr Waddell says: "We need the price-elastic part of the market to be increased somewhat so that when the price falls, people buy."

Rustenburg doubled its spending (in rand terms) on platinum promotion in its latest year and, together with other platinum producers, set up a *Platinum Guild Association* in Zurich earlier this year to promote investment and jewellery demand for the metal.

The driving force in the platinum market over the next year or two may, however, be events in South Africa.

Rustenburg, 56 per cent owned by Anglo American Corporation and its affiliate Johannesburg Consolidated Investment, has told its customers that it cannot guarantee future security of supplies. But according to Mr Waddell: "It is more likely that their governments will prevent them from buying than that we will be unable to deliver platinum group metals."

Labour unrest at Impala Platinum, Rustenburg's main competitor, sent shivers through the platinum market earlier this year. Impala dismissed 23,000 black workers and lost a substantial slice of production as it struggled to recruit and train replacements.

Furthermore, Impala's mines and the bulk of Rustenburg's operations are located in nominally independent Bophuthatswana, which like South Africa's nine other tribal "homelands" has been increasingly drawn into the violence which has swept the country for the past two years.

Rustenburg will expand its presence in Bophuthatswana when a R250m precious metals refinery is commisisoned at the end of 1988. The new plant will take over all Rustenburg's business from two refineries in Royston, UK, and Wadeville, east of Johannesburg.

According to Mr Waddell, the decision to pool all refining capacity at one site near the company's mines was prompted by the benefits of economies of scale, the sharp decline in the exchange rate of the South African rand, and by the fact that Rustenburg's inventories are sufficient to service only one refinery.

Rustenburg has not been immune to labour problems, but it has not resorted to mass dismissals nor lost significant production. According to Mr Eric von Glehn, analyst at the Johannesburg brokerage firm Martin and Co, Rustenburg's platinum output (which the company does not disclose) rose to about 1.25m oz in fiscal 1986 from 1.14m oz a year earlier. Rustenburg also produces smaller quantities of palladium, gold, copper and nickel, among other metals.

The world's biggest producer of platinum can afford to be sanguine on the prospect of stiffer sanctions against South Africa. The group has already benefited from the country's political and economic problems. Fears of interrupted supplies have helped push the price of the metal up sharply while the decline of the local currency has boosted rand-denominated earnings from exports. Bernard Simon in Johannesburg

Mr Waddell ascribes some of Rustenburg's good fortune on the labour front to sheer luck. "There but for the grace of God go we," he says of Impala's troubles.

On the other hand, there are some differences which may explain the relative calm at Rustenburg's mines. While Impala has one large mine in Bophuthatswana, Rustenburg's three biggest mines are spread over a distance of 100 km (60 miles). A fourth, smaller operation is even further away in the Lebowa homeland in the northern Transvaal.

Rustenburg's wages are significantly higher than Impala's reflecting a philosophical difference between Anglo American and Gencor (which controls Impala). Mr Waddell says: "We have come to the conclusion that the answer for this country is to go for high wages first, and the productivity will follow." Gencor officials have tended in the past to favour the creation of a larger number of jobs at lower wages.

Both companies decline to disclose wage levels. But it is no secret that Rustenburg produces about 300,000 oz more platinum a year with 9,000 fewer workers.

While the Chamber of Mines last month unilaterally imposed wage increases of between 15 per cent and 20 per cent for black workers, Rustenburg raised all its workers' wages by 19 per cent plus a bonus equal to half a month's pay. Mr Waddell says that the company may push up wages again if the Chamber and the National Union of Mineworkers solve their present dispute by agreeing on a higher increase.

Besides implementing the Chamber of Mines' recent increase, Impala raised black workers' wages shortly after the labour upheavals at its mines last February.

Rustenburg will have no trouble affording higher wages—which make up half its total costs—if the platinum price remains strong. But what if it falls?

Beneath his optimism, Mr Waddell betrays a touch of caution. "What we are concerned about is that we have had four years of a reasonable platinum market, but things can change very quickly." Rustenburg suffered a severe liquidity crunch in 1981-82 when precious metal prices fell sharply and inventories rose. The platinum market has proved in the past to be more volatile than gold.

Debt free

Gold Fields of South Africa earlier this year announced plans to build a new platinum mine in the north-west Transvaal. Rustenburg is thus hesitant about pressing ahead with the exploitation of its deposits in the Maandagshoek area of Lebowa in the north-east Transvaal.

Already debt-free, the company is also building up a war chest in case the market turns sour. It transferred R89m to reserves last year, bringing the total to almost R800m. According to Mr Waddell, "I wouldn't like Rustenburg necessarily to be the biggest mine. I want it to be the most profitable mine." He says that building up cash is the company's highest priority.

One motive for strengthening its reserves is clearly to give Rustenburg more muscle in a weakening market. "People should abandon any notion that Rustenburg will be the seller of last resort," Mr Waddell says.

INTERNATIONAL COMPANIES AND FINANCE

Sumitomo Chemical plunges into the red

By Yoko Shibata in Tokyo

SUMITOMO CHEMICAL, one of Japan's largest comprehensive chemical makers, showed a 45.3 per cent slide in pre-tax profits in the half-year to June to Y9.86bn ($63.9m) and fell into the red at the net level. Net losses were Y17.7bn compared with the previous year's net profits of Y6.52bn.

The poor showing was blamed on the deteriorating profitability of its exports. This was in turn due to the yen's steep appreciation and a heavier interest payment burden.

Another factor was a rise in fixed costs owing to its purchase of Sumitomo Aluminium Smelting's aluminium division for Y35bn at the end of last year.

Half-year sales declined by 16 per cent, from Y334.02bn to Y281.33bn, affected by lower prices of petrochemical products and a decline in profitability of agricultural chemical and fine chemical product exports.

The net loss came despite obtained from the sales of special profits of Y8.84bn equities in its portfolio.

For the full year, pre-tax profits are forecast to plunge 31 per cent to Y20bn, on sales of Y530bn, down 20 per cent.

● Asahi Glass, a leading Japanese manufacturer of glass, chemicals and ceramics, showed a 5 per cent fall in unconsolidated pre-tax profits to Y26.45bn ($171.3m) in the June half-year, attributed to sluggish demand for glass products from export industries such as makers of television sets and cars, and capital investment spending for future expansion.

Net profits were 1.5 per cent lower at Y13.81bn, on turnover of Y348.49bn—up 7.8 per cent. Net earnings per share were slightly down from Y13.56 to Y13.34, while the interim dividend is unchanged at Y4.

Full-year turnover is expected to grow 5 per cent to Y710bn.

Net profits are projected at Y29bn, down 2 per cent from the previous year.

Wickes bids $2bn for Owens-Corning

BY OUR FINANCIAL STAFF

OWENS-CORNING Fiberglas, the US building products group, has confirmed that it has received a merger proposal from Wickes Companies, another building products group that has been diversifying aggressively since emerging from bankruptcy.

The offer at $70 a share in cash values Owens-Corning at more than $2bn. The announcement of the bid proposal followed three days of intense speculation which saw Owens-Corning's shares jump from $61⅛ on Monday to $74⅝ at Wednesday's close. By mid-morning yesterday, the shares had risen a further $⅞ to $75⅝.

Mr Sanford Sigoloff, Wickes chairman and chief executive officer, said he asked Mr William Boeschenstein, Owens-Corning chairman, for a meeting to discuss the merger proposal.

"It is my hope that Owens-Corning Fiberglas management will respond favourably to my request for a meeting, since I believe the Wickes offer is in the best interest of all Owens-Corning Fiberglas shareholders."

Wickes owns about 8 per cent to 10 per cent of the Owens-Corning 29.8m common shares outstanding.

Mr William Boeschenstein, chairman and chief executive of Owens-Corning, said: "Naturally, our board is fully aware of its fiduciary responsibilities and would give appropriate consideration to any responsible proposal made by Wickes or another third party.

"In that context, I would also expect that the board would also consider all available alternatives, including the possibility of maximising short-term values through fundamental change in our business structure."

Mr Boeschenstein said his company was extremely concerned about trading in its stock "without any public disclosure concerning the cause of that unusual activity." He stated that Owens-Corning had not received any notification concerning a filing by Wickes.

Wickes emerged from bankruptcy a year and a half ago.

Reliance Inds. shares hit by newspaper allegations

BY R. C. MURTHY IN BOMBAY

SHARE VALUES of Reliance Industries, India's fastest growing company, have plummetted by more than a third over the last fortnight.

The shares, at Rs 258 yesterday, appeared to be heading back towards the year's low of Rs 225, from where they started the climb in January to the peak of Rs 394 in mid-June.

The slide followed Indian press allegations that Rs 600m ($47.8m) in loans extended by a dozen Indian and foreign banks were improperly used by some 10 trading companies, which have their addresses at Reliance's corporate headquarters in Bombay.

Investors were further unnerved by an announcement last week by Mr V. P. Singh, India's finance minister, setting up a committee headed by a deputy governor of the Reserve Bank of India, the country's central bank, to probe the use of these loans.

The media reports suggested that these funds went to buttress the successful flotation of Rs 3.7bn debenture issue made by Reliance last year, but Mr Dhirubhai Ambani, Reliance chairman, denied the allegation.

The Bombay stock exchange has clamped down on Reliance share sales: on Wednesday it suspended jobbing in them, after banning forward sales two days earlier.

£100m acceptance credit by Russia

By Alexander Nicoll

THE Soviet Union's Bank for Foreign Trade is arranging a £100m sterling banker's acceptances facility, its first borrowing of this kind. The transaction is also unusual because the Bank of England has allowed a bank, rather than a trading concern, to issue bills.

Lloyd's Merchant Bank has mandated to lead the five-year deal which, although it is not the Bank for Foreign Trade's first borrowing in sterling, may have been helped by the recent agreement between Britain and the Soviet Union settling pre-revolutionary claims.

The borrowing will carry an annual facility fee of 10 basis points, and a front-end fee ranging up to 17½ basis points for commitments of £7.5m or more. If the committed facility is drawn, acceptance commission will be 15 basis points above the eligible bill rate—the rate for bills which may be discounted at the Bank of England.

A tender panel of banks will normally bid competitively to accept bills at commissions below 15 basis points.

The transaction has become possible because the Bank of England has agreed to treat bills drawn by the Bank for Foreign Trade, and then accepted by banks, as eligible for rediscount. It will therefore buy Soviet bills accepted by banks in the same way that it buys all other eligible bills in its daily money market operations.

Since bankers acceptances are designed to finance physical trade, the Bank of England normally treats as eligible only accepted bills which were originally drawn by a trading concern rather than a bank. Lloyds said the Bank permitted the Soviet bank to draw bills in its own right because, under the Soviet system, it is the only entity allowed to raise medium-term finance.

German bank higher

Landesbank Rheinland-Pfalz Girozentrale lifted first-half operating profits to DM 127m ($61m), 22.5 per cent higher than the year ago due to a sharp increase in profits from trading on own account. The bank said the result will not only enable the bank to make provision for all forseeable risks but also allow it to strengthen own resources.

$200m Citicorp deal on quiet day

BY OUR EUROMARKETS STAFF

CITICORP, the US bank, borrowed $200m fixed-rate funds in the Eurobond market late yesterday after a day of generally listless trading ahead of the last leg of the US Treasury bond auctions in New York.

Morgan Stanley led Citicorp's seven-year issue which has a coupon of 8¼ per cent and price of par. It is non-callable for the first four years and then at par.

Elsewhere in the Eurobond market a $1bn floating-rate note (FRN) issue for Denmark, launched on Wednesday, traded at discounts to issue price outside the level of its total fees. The issue has been widely criticised for its tight pricing, since it pays interest at ⅛ point under London interbank bid rate, but dealers said yesterday investor interest should pick up over time because of the bond's liquidity.

Christiania, the Norwegian bank, issued a $250m floating-rate note which met an unenthusiastic reception, as had other recent issues for Norwegian banks. Christiania's deal is unrated.

The 15-year issue provides interest at the mean of six-month London interbank bid and offered rates. Many dealers thought this too low, despite the current strength of Japanese bank demand for floating-rate paper.

Credit Suisse First Boston, which led the issue, set the issue price at par and it may be called after two years at par. Fees total 40 basis points, and the bond was quoted well below this discount at 99.25 bid.

The Euro Danish kroner market saw the only other new issue of the day. This was DKr 300m four-year deal for KB Ifima, a finance subsidiary of Kredietbank, which guaranteed the issue. Privatbanken, the lead-manager, set its coupon at 9¼ per cent and price at 100⅞.

The domestic and Euro Danish kroner markets have stabilised lately after recent sharp falls following poor Danish trade figures. KB Ifima's deal benefitted from this, and was bid at 99⅜, within 1⅜ per cent commissions.

The D-mark saw thin trading though some bonds rose in price. Wednesday's ten-year 6 per cent issue for Oesterreich Kontrollbank was bid at a discount to issue price of ⅜ point. The Federal Railways' new 6 per cent 12-year DM1.2bn traded at a discount to issue price on the bid side of one point.

Turnover in the Swiss franc market was low, though prices were stable. A 5¼ per cent eight-year bond for Inter-American Development Bank traded for the second day and gained ½ point in price to 101.

IPMA tests computerised communications

BY CLARE PEARSON

INVITATIONS into some distinctly unlikely deals were flying around the Eurobond market yesterday as the International Primary Market Association (IPMA) Communications Committee was testing a new computer system. The system could dramatically alter syndication procedures.

If introduced, invitations into deals and invitees' responses, will be sent via a telephone link between computers. Syndicate managers will no longer face the time-consuming ordeal of making individual phone calls to invite co-managers into deals, and then following them up with invitation telexes.

The new electronic mail system, developed by Computersoft in conjunction with the IPMA, should enable potential underwriters to assess an issue quickly and thoroughly. Both public information required by the association and private information, such as commitment size, can be transmitted.

Credit Suisse, First Boston, Morgan Stanley, Goldman Sachs, Union Bank of Switzerland and Merrill Lynch tested the system with dummy invitations for various types of bond yesterday. Assuming all goes smoothly, about 15 other houses, including 3some Continental houses, may join the system by the end of this month.

So far formats for straight, fixed-rate, floating-1rate, equity warrants and convertible bonds have been devised. A format for international equity issues has not yet been finalised.

IPMA said that even if the system were introduced the association would not discourage houses from using other computer communications systems for syndication or general information purposes.

Syndication by telephone has been a frequent cause of confusion. This was highlighted by a recent crop of floating-rate note issues for Canadian banks which contained clauses allowing for coupon payments to be cut along with reductions in dividends.

Some houses complained that this "catch" had not been fully explained to them over the phone, whereas they were committed to the deal by the time the invitation telex arrived.

Rush of convertible bond issues planned in Japan

BY YOKO SHIBATA IN TOKYO

A RUSH of convertible bond issues is due to be seen in Japan in September and October amid a deterioration in issuing conditions for bonds with warrants and other bonds abroad.

September is likely to bring 25 convertible issues worth between Y410bn ($2.65bn) and Y420bn, surpassing the previous monthly record of Y340bn in March 1985. This month, 13 issues totalling Y250bn are to be floated, compared with a monthly average from January to July this year of Y95bn.

The favourable issuing conditions result from successive reductions in the benchmark interest rate against which convertible issue terms are measured. This now stands at 2.6 per cent, down from 3.8 per cent at the beginning of this year. Coupon rates on convertible bonds are now as low as 1.7 per cent for top rated borrowers.

There is some concern over the sharp rise in the volume of new issues. However, many issuers are trying to raise low-cost money ahead of having to produce earnings forecasts for the next fiscal year which may show a downturn. As a result, much of the money raised could be recycled back into the financial market

In September, Kokusai Denshin Denwa (KDD), Marubeni Corporation and Nippondenso are each due to issue Y50bn, and Nomura Securities and Takeda Chemical Industries Y30bn each.

Sanyo Electric slides by 60%

SANYO ELECTRIC, the Japanese consumer products maker, and its group companies suffered a 60.3 per cent fall in consolidated net profits to Y8.19bn ($53.05m) in the half-year to May, the first such setback since it started compiling consolidated financial statements in 1970.

Turnover came to Y587.63bn, down 17.7 per cent. The current year is the last before its absorption of Tokyo Sanyo, an affiliate, in a move to reduce the negative effects of the rising yen.

Domestic sales rose 4.7 per cent, thanks to good demand for its television sets,

Net earnings per share dropped to Y6.81 from Y17.45. For the full year, Sanyo expects consolidated net profits of Y15.5bn, down 57.2 per cent, on turnover of Y1,265bn,

Growth at Asahi Breweries

By Our Tokyo Staff

ASAHI BREWERIES, Japan's third largest brewer, achieved a 47.9 per cent jump in its pre-tax profits in the first half to June, on the back of an improvement in its financing position and cheaper imported raw materials because of the strong yen.

Pre-tax profits surged to Y2.25bn ($14.57m) from Y1.52bn with net profits of Y0.8bn, up 21 per cent, on turnover of Y118.63bn, a rise of 6 per cent. Net earnings per share advanced to Y3.59 from Y2.98.

A campaign dubbed the New Century Programme is helping boost volume beer sales for the full year by a projected 12 per cent

Full year pre-tax profits are forecast at Y4.5bn, up 38 per cent, on sales of Y263bn

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.

Closing prices on August 7

US DOLLAR STRAIGHTS — OTHER STRAIGHTS — FLOATING RATE NOTES — DEUTSCHE MARK STRAIGHTS — CONVERTIBLE BONDS — SWISS FRANC STRAIGHTS — YEN STRAIGHTS

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

N. AMERICAN QUARTERLIES

BRIGGS AND STRATTON
Petrol engines, auto locks

	1985-86 $	1984-85 $
Fourth quarter		
Revenue	181.2m	178 8m
Net profits	4.99m	8 53m
Net per share	0.35	0.59
Year		
Revenue	745 8m	717.8m
Net profits	34 1m	33 5m
Net per share	2 36	2 32

CNA FINANCIAL
Property-casualty, life insurance

	1986 $	1985 $
Second quarter		
Revenue	1 53bn	1.09bn
Op. net profits	67 5m	35 1m
Op. net per share	1.05	0 61
Six months		
Revenue	2 95bn	2 13bn
Op. net profits	121 3m	74.7m
Op. net per share	1 90	1.30

COMBINED INTERNATIONAL
Accident, health, life insurance

	1986 $	1985 $
Second quarter		
Revenue	449 9m	337.1m
Op. net profits	48 1m	41 8m
Op. net per share	1 44	1.26
Six months		
Revenue	804 4m	662.6m
Op. net profits	86 8m	75 8m
Op. net per share	2 60	2.28

CONSOLIDATED NATURAL GAS
Integrated natural gas system

	1986 $	1985 $
Second quarter		
Revenue	468 3m	621.9m
Net profits	22 8m	33.2m
Net per share	0 27	0.40
Six months		
Revenue	1.67bn	1 99bn
Net profits	114.7m	132 3m
Net per share	1 39	1.60

CONTINENTAL CORPORATION
Property-casualty, life insurance

	1986 $	1985 $
Second quarter		
Net profits	88 0m	55 6m
Net per share	1 36	0 99
Six months		
Net profits	252 1m	96 2m
Net per share	3.94	1 77

INSPIRATION RESOURCES
Metals, coal, agricultural products

	1986 $	1985 $
Second quarter		
Revenue	521.4m	494 3m
Net profits	13 0m	18 3m
Net per share	0 20	0.29
Six months		
Revenue	742 2m	702 0m
Net profits	15.4m	†11.2m

† Loss

LEAR SIEGLER
Aerospace, auto, industrial products

	1985-86 $	1984-85 $
Fourth quarter		
Revenue	708 2m	633 9m
Net profits	9 4m	34 7m
Net per share	0.52	1 83
Year		
Revenue	2 45bn	2.37bn
Net profits	55 5m	100 7m
Net per share	3 02	5 51

LOEWS CORPORATION
Cigarettes, insurance, hotels

	1986 $	1985 $
Second quarter		
Revenue	2 24bn	1 66bn
Net profits	175 6m	135 8m
Net per share	2 15	1 56
Six months		
Revenue	4 17bn	3 19bn
Net profits	287.2m	255 2m
Net per share	3 52	3 14

MOORE CORPORATION
Business forms, printing machinery

	1986 $	1985 $
Second quarter		
Revenue	557 7m	494.4m
Net profits	31 7m	31.7m
Net per share	0 35	0 35
Six months		
Revenue	1 1bn	994 3m
Net profits	62 5m	64 0m
Net per share	0 70	0 72

UK COMPANY NEWS

BOC beats City estimates with a 9% profits advance

£128m write-off planned in US

MR RICHARD GIORDANO, chairman and chief executive of the BOC Group, yesterday revealed that profits had risen by £11m at nine months and added that £128m would be written off the assets of the troubled US graphite electrodes business at year-end.

The write-down will be reflected in the loss in the results for the final quarter of the current year.

It will reduce the estimated assets employed in this business by some £125m and have the effect of reducing depreciation charged in this business and, correspondingly, increase profits.

The write-down will have no cash, tax or dividend implications but will reduce group reserves and affect gearing.

Mr Giordano said, however, that the cash flow of BOC continued to be very strong and, despite the write-down, gearing at the end of the current financial year would be lower than last year and at the lowest level experienced for many years.

The group's graphite electrodes are produced in the US and are used mainly in the electric arc furnace production process for steel manufacture.

Mr Richard Giordano, the chairman of BOC

Some 60 per cent of BOC's production of electrodes is sold to the US steel industry, which like industrial activity in general, went into deep recession in 1981.

Mr Giordano said the subsequent economic recovery in the US, which began in 1983, did not fuel a significant recovery in steel and metal fabrication and that in 1985, the steel industry in the US failed even to approach the production levels experienced in 1979.

The group will substantially write down all of its older and less efficient graphite electrode manufacturing assets in Pennsylvania and at Niagara Falls.

BBC's pre-tax profits for the nine months to June 1986 improved from £124.1m to £135.2m, a rise of 9 per cent, beating City estimates by some £5m.

Turnover, including related companies, declined from £17.6bn to £1.66bn—the group's interest are in industrial gases and health care products.

Operating profits improved from £182.1m to £184.9m and took in a £13.2m (£10.4m) share of related companies' earnings.

Pre-tax profits were struck after taking account of realised stock holding losses totalling £6.5m (profits £0.7m) and interest charges, which fell by £15.5m to £43.2m.

Tax accounted for £42.8m (£40.2m) and left net profits at £92.4m, compared with a previous £83.9m. Earnings improved from 16.96p to 18.34p per 25p share.

The group's gases and health care operations continued to perform well, as did the special products and services business.

The carbon and carbide business sector trade dprofitably in the third quarter following a loss in the first half of the year.

Mr Giordano said the results were affected favourably by the group's forward sale of US dollars last year, but adversely affected by a decline in the value of the Australian dollar and the South African rand.

Operating profits, which were struck after additional depreciation on revaluations of £16.3m (£29.5m), broke down by region as to Europe £53.7m (£51.7m), Africa £13.2m (£15.5m), Americas £81m (£80m) and Asia/Pacific £34.7m (£30.6m). There was also a £2.3m (£4.3m) contribution included from discontinued businesses.

On a comparable currency basis, removing the effects of exchange rate movements and forward currency transactions, group pre-tax profits for the nine months emerged at £118.1m.

See Lex

Mountleigh bids £117m for United Real

By Charles Batchelor

Mountleigh, the acquisitive property trading and investment group headed by Mr Tony Clegg, yesterday announced its long-awaited takeover bid for United Real Property Trust, with an agreed offer worth £117m.

United owns a portfolio of prime office buildings in central London but has been content to collect rents rather than actively develop them. This followed a decision by its founder and 70 per cent shareholder, Mr Maurice Wohl, to move to Switzerland 12 years ago.

Many property groups have tried to persuade Mr Wohl to sell out in recent years.

Mr Clegg said: "The properties have not been worked for some years. United has collected the rents. They yield rents of £5m a year now but we believe they are capable of earning £15m by granting new leases and £20m if they were redeveloped."

The merger is the third major deal to be announced in the property sector in the space of three months. In early June Clayform unveiled an £86m merger with Samuel Properties while Greycoat Group launched an £111m contested bid for Property Holding and Investment Trust last month.

Mountleigh is a trader of properties rather than a long-term investor, though it still earns rental income of £6m a year.

It is offering 83 5.25 per cent convertible cumulative redeemable preference shares of £1 each and £34 cash for every 12 United shares, at 975p each if the preference shares are valued at par. There is a full cash alternative, which is also worth 975p per share.

The bid has the backing of United shareholders, mainly Mr Wohl, owning 72.5 per cent of its equity.

United made an unaudited pre-tax profit of £2.57m, producing earnings of 12.51p per share, in the six months ended October, 1985. Shareholders' funds at April 5, 1985 were £84.4m and assets per share 703p.

United valued its portfolio at £86m in April, 1985 but Mountleigh believes it could be worth £150m with more aggressive management. Mountleigh's investment portfolio is valued at £79m, though its has trading properties worth £80 to £90m, Mr Clegg said.

The Mountleigh bid was part of a trend for property trading companies to acquire investment properties which would provide regular rental income if the property market turned down, said one analyst.

Mountleigh appears to have paid a high price in the short term but taking a longer view this would probably turn out to be a god deal, he added.

United's shares rose 70p to 950p while Mountleigh fell 40p to 960p.

United revealed it might be subject to a bid in mid-July. A week later Mountleigh emerged as the likely bidder.

TI shares fall by 33p as profits disappoint

BY DAVID GOODHART

TI Group, the cycles, home appliances and engineering group, yesterday reported a 44 per cent increase in its half year pre-tax profit to £18.1m.

However, for the second time in two days a major engineering company disappointed market expectations and the TI share price fell 33p to 463p. On Wednesday GKN fell 56p after revealing that profits for the whole year were likely to remain flat.

Engineering analysts began revising their TI pre-tax profit estimates for the whole year down to about £42m from a peak of £50m earlier in the year. Most analysts did however stress that the TI recovery was still on course, but coming through rather slower than expected.

The company explained the disappointment in terms of less buoyant markets than expected—particularly in the oil industry. Turnover fell slightly to £490m, but after adjusting for disposals and exchange translation there was an underlying increase in sales of 3 per cent.

Profit before interest increased by £2.4m from £23.1m to £25.5m. But if it had not been for a £400,000 reduction in redundancy costs and a £2.6m pension holiday, the profit before interest would have been lower than last year.

TI has reduced its interest cost by £3.1m to £7.4m and earnings per share have risen by 65 per cent to 18.3p per share.

Domestic appliances increased its sales by 7 per cent, but profits before interest were down from £7m to £5.4m because of extremely competitive conditions according to the company. Cycles saw losses fall from £2.7m to £1.9m and the restructuring plan announced in March is continuing but the UK market remains poor and there has been "a disturbing increase in low priced imports."

Specialised engineering had the best improvement with sales up 7 per cent (on a comparable basis) and profit before interest up from £6.1m to £7.6m. Automotive saw profits before interest slip from £7.8m to £7.7m and steel tube fell from £6.5m to £5m.

Extraordinary items at £16.2m represent mainly asset write-offs arising from closures and reorganisations. The directors have declared an interim dividend of 6p (5p)—last year's final was 8p.

Analysts concluded that the disappointment was a combination of oil industry demand collapse, slower restructuring than hoped at cycles and smaller pension holiday than expected.

Mr Ronnie Utiger, the chairman, stressed that TI was continuing to move along the recovery path set out at the beginning of 1985.

"There has to be some uncertainty how trading conditions will develop during the second half of the year, but unless there is a marked economic downturn the board expects the group to achieve a continuing improvement in profits," he said.

Evered Holdings — the engineering conglomerate which continues to hold 14 per cent of TI — was disappointed by the result as its profit on the holding now stands at about £8m down from a peak of £18m.

See Lex

AE chief urges T & N to abandon bid

By David Goodhart

SIR JOHN COLLYEAR, chairman of AE, yesterday called upon Turner & Newall to abandon its bid for the engineering group in the light of acceptances from holders of only 0.29 per cent at the first closing date.

Sir John said he was not surprised by the small number. "An investment in AE gives shareholders a stake in an advanced engineering company with a secure future. On the other hand Turner & Newall is a company beset with difficulties," he said.

Both companies' shares have slid back since the bid was announced in July, AE from 224p to 207p and T & N from 196p to 180p. Although some analysts believe T & N will indeed abandon the bid most think that it will raise its offer.

Petrogen deal off

Petrogen Petroleum, the USM oil and gas group which is based in Colorado, said that its proposed merger with Seaxe of the US would not take place since the two companies could not reach agreement. Preliminary terms of the deal were announced in April. Mr Charles Good has resigned as a director of Petrogen but will continue as a consultant.

DATASERV rights issue acceptances totalled 6.06m shares the 6.14m shares of common stock at 145p each on offer.

LADBROKE INDEX
1,231-1,237 (−13)
Based on FT Index
Tel: 01-427 4411

Barclays' £434m disappoints City and shares down 20p

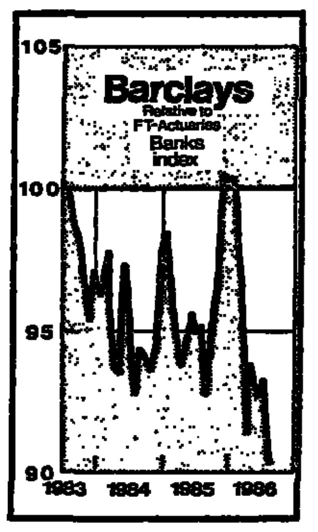
BY NICK BUNKER

Barclays, the UK clearing bank, disappointed the City yesterday with half-yearly pre-tax profits of £434m, just eight per cent up on 1985's £403m. Its shares responded by losing 25p, before recovering slightly to close in London 20p down at 450p.

Analysts had forecast interim profits of between £450m and £475m, even before the other three big clearers reported over the past two weeks jumps in earnings of between 27 and 34 per cent.

Sir Timothy Bevan, Barclays' chairman, said the results reflected a policy of seeking "controlled expansion and quality profits" in increasingly competitive conditions in UK retail banking and elsewhere.

Post-tax profits rose 31 per cent to £283m in the six months ending June 30.



Barclays' performance was also helped by extra tax relief gained through a transfer of £139m from general to specific provisions against loss. Overall, the charge for bad and doubtful debt provisions fell from £217m to £196m.

A first interim dividend of 9.5p is declared, compared with a 1985 first interim of 8.4p.

Net interest income improved by only 4 per cent to £1.19m, reflecting a low level in advances growth and lower interest rates in the UK.

Operating expenses rose by nearly 9 per cent to £1.2bn, with a £59m increase in staff costs due to salary rises and the recruitment of extra staff for Barclays Customer Service Programme of improvements in branches.

In UK domestic operations, the group earned £200m (£198m). This reflected a low growth in commission income, and a fall in interest margins from 6.2 per cent to 5.7 per cent, owing to increased competition.

Mercantile Credit, the finance house subsidiary, increased pre-tax profit to £38m (£36m).

Barclays de Zoete Wedd, the group's securities and merchant banking arm, doubled pre-tax profits to £20m.

For the first time the group disclosed separate results for its Central Retail Services division, which includes Barclaycard, Masterloan and travellers' cheque operations. Pre-tax profits were £35m (£34m), but profits from travellers' cheques were hit by costs of integrating business purchased from Chase Manhattan, the US commercial bank.

Sir Timothy said Barclays had no present intention to change it's stake in Barclays National Bank (Barnat), the South African associate in which it has a 40 per cent stake. Barnat contributed £10m (£10m) reflecting greatly improved performance heavily offset by the fall in the South African rand.

Barclays said that it would not expect to make profits for some time in Italy, where it suffered heavy bad debt problems leading to the dismissal of 165 staff at its Milan headquarters this spring.

See Lex

Goodman cuts his stake in Intl Leisure

By Charles Batchelor

MR HARRY GOODMAN, chairman of International Leisure Group and two other directors have succeeded in placing 3.87m shares from their personal holding. But they appear to have accepted a lower price than they were seeking when they first attempted to sell the shares last week.

Most of the shares were placed at 112p to raise about £4.34m. That compares with the price of about 118p which the directors were believed to be seeking last week.

Mr Goodman said he had reduced his holding primarily to meet pre-existing personal commitments.

We sold 3.75m shares to reduce his holding from 22.8 to 15.5 per cent; Mr S. Matthews sold 100,000 shares, reducing his stake from 5 to 4.8 per cent; and Mr F. G. Woodward sold 25,000 shares, though this had no material impact on his 1.5 per cent stake.

The directors and their families hold a total of 12.36m shares representing 23.9 per cent ofthe capital following the sales. Scrimgeour Vickers placed the shares with a number of institutions.

Lincroft stake

Priest Marians, the property company which is engaged in merger talks with Lincroft Kilgour, a textile and investment group, yesterday bought a further 145,000 Lincroft shares at less than 240½p each to take its holding to 1.37m or 29.98 per cent.

Philip Hill

Eagle Star Insurance, one of the largest holders of Philip Hill Investment Trust, has sold 4m shares reducing its stake to 13.9 per cent.

Bestwood buys building company for £2.09m

BY CHARLES BATCHELOR

Bestwood, the investment and property services group headed by Mr Tony Cole, is paying £2.09m in shares and cash for Property Building and Maintenance Company (London), a private company active in commercial building maintenance work and scaffolding hire.

PBM has declared it will make a pre-tax profit of not less than £440,000 in 1986, compared with £359,000 before deducting non-recurring directors' earnings of £113,000 the year before. Net assets at December 31, 1985, were £283,000.

The deal comes less than a month after Bestwood launched a still unresolved bid worth £17m for Barrie Investments & Finance and about six weeks after the failure of its bid for the Country Gentlemen's Association.

Bestwood will issue 75,000 of its own new shares to the vendors of PBM and pay a further £1.71m in cash, to be raised by placing further Bestwood shares.

Standard Chartered stays silent

Standard Chartered, the London-based worldwide banking group, declined to comment yesterday on reports that Tan Sri Khoo Teck Puat, the Malaysian businessman, was seeking a seat on its board.

Tan Sri Khoo was one of the Far Eastern clients of Standard Chartered who last month thwarted Lloyds Bank's hostile £1.3bn takeover bid by acquiring large block of Standard Chartered's shares.

Tan Sri Khoo, who holds an estimated 5 per cent of the bank's shares, is a well-known business rival of Sir Yue Kong-Pao, the Hong Kong shipping magnate who helped save Standard Chartered by buying 15 per cent.

Good start lifts Apricot shares

MR L. C. Bury, the chairman of Apricot Computers, told yesterday's annual meeting that group profits in June and July were ahead of budget and that the directors anticipated a return to profitability in the opening six months of the current year.

The meeting was told that the group's cash position remained satisfactory, helped by sales of Apricot Architecture products.

Shareholders were reminded that at the time of the preliminary announcement price reductions were effected on Apricot Architecture products which had been the subject of provisions in the annual accounts.

These products comprised the group's full range other than the Xen. Sales of the Apricot Architecture products since mid-June had been very strong, the chairman said.

He added that all material stocks of these products were expected to be sold by the end of September.

Sales of the Xen and the Xen-i, the compatible computer launched in June, had been satisfactory. Mr Bury pointed out that the Xen-i was receiving favourable reports in the trade press and from dealer evaluations and strong sales were expected from this product by late summer.

In the stock market yesterday the group's shares rose to 50p, a rise of 7p on the day.

Suter lifts Thermax holding to over 12%

Suter, the acquisitive manufacturing and distribution group headed by Mr David Abell, has further increased its stake in Thermax, the maker of toughened glass products, to 1.44m shares or 12.42 per cent of the equity.

On July 10 Suter revealed it had bought a 6.66 per cent stake in Thermax, increasing it to 10.18 per cent on July 23. Thermax's shares fell 2p to 123p yesterday.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Barclays ....int	9.5	Oct 8	8.4	—	18.6
BPP ....int	‡2.24	—	—	—	—
Grosvenor Sq Props ...	‡3.75	—	3.5	6	5.5
Hickson	5.3	Oct 1	5	—	15
Invest Tst Guernsey int	2.5	—	2.5	—	7.25
Law Debenture ...int	2.75	Oct 1	2.75	—	6.3
SEET	3.7	Oct 6	3.5	5.3	4.9
TI ....int	6	Oct 10	5	—	13
TR City London 4th int	1.18	Aug 29	1.13	4.1	3.45
Joseph Webb	0.38	Oct 1	0.38	0.51	0.51

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock.

UK COMPANY NEWS

R Dutch/Shell income down 16%

BY LUCY KELLAWAY

Royal Dutch/Shell suffered a 16 per cent fall in second quarter net income to £545m, mainly as a result of the steep decline in oil prices.

However, after allowing for substantial losses on oil stocks of £362m (£89m), net income rose by 27 per cent to £907m on a current cost basis. This number, which is regarded as the more important of the two by City analysts, was better than forecast, while the reported figure was much as expected. Shell shares yesterday held their own against a sharply falling market background to close unchanged at 833p.

Shell said yesterday that the results were "satisfactory" given the difficult trading conditions and the fall in oil prices.

Results for the first six months of 1986 show net income down 27 per cent to £1.26bn (£1.73bn), but up by 35 per cent to £2.2bn (£1.64bn) on a current cost basis.

Figures for the second quarter are not directly comparable to last year's result, which contained a series of large one-off items, the net effect of which was to depress income by about £80m.

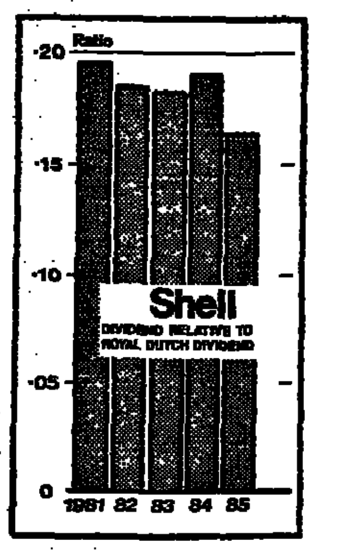
The weakness of the US dollar against the pound during the second quarter of 1986 resulted in a currency loss of £126m, compared to a loss of just £31m in the same period last year.

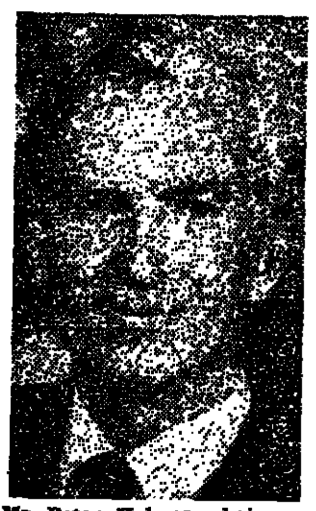
During the quarter, income from "downstream" operations—refining and marketing—and from chemicals was sharply up on last year, offsetting a deterioration in profits from exploration and production.

Production of both oil and gas increased by 8 per cent in the three months with oil volumes rising to 1.7m barrels a day, and gas volumes to 5.7bn cubic feet a day. Oil revenues suffered from the fall in crude prices, although gas prices held up well leaving gas revenues more or less unchanged.

Outside the US oil revenues were further undermined by the strength of sterling, leading to a drop of 37 per cent in exploration earnings to £323m. Within the US the decline was still more severe, with earnings almost wiped out, falling from £198m last year to just £8m.

In Shell's manufacturing, marine and marketing operations margins improved as a result of lower crude prices. Profits recovered markedly from last year's depressed levels, which included a £100m provision against the shut-down of the Curacao businesses. Outside the US, income jumped to £180m from a loss of £41m in 1985, while inside the US income was £104m against £34m.





Mr Peter Holmes, chairman of Shell Transport

While the drop in oil prices boosted margins, it also created heavy stock losses, without which income outside the US would have surged to £511m from only £23m last year. The company notes that part of the improvement is also due to recent restructuring of the sector.

The chemicals division also witnessed fatter margins due to lower feedstock costs during the second quarter, and earnings rose by 74 per cent to £106m (£61m). During the quarter, petrochemicals sales tonnage rose to record levels.

In Shell's other operations, coal earnings showed little change, while in metals losses were cut from £53m last year to £7m chiefly through lower operating costs, better metal prices and the absence of restructuring charges which depressed the 1985 figure.

Capital expenditure in the first half was lower by 16 per cent at £2.2bn, although much of this reflected the lower exchange rate. In the first six months Shell generated funds of £3.6bn against £5.7bn in the first half of last year. At the end of June, the group had cash balances of £5bn, and a gearing ratio of 16 per cent.

During the second quarter total group sales were £18bn (£13bn). Income before tax was sharply lower at £1.4bn (£2.4bn), and the tax charge fell from £1.8bn in the second quarter of 1985 to £824,000.

See Lex

BPP achieves £0.2m in first half

BPP Holdings, which came to the USM in March, announced pre-tax profits of £208,000 for the six months ended June 1986. For 1985 as a whole the company reported profits of £155,000.

The directors stated that since this was the company's first interim statement there were no comparable results.

The interim dividend is the 2.24p as indicated in the prospectus. They expect to pay a final not less than 2.76p. Earnings for the half-year are shown up from 4.2p to 4.7p per share on a weighted basis.

Turnover for the company, which publishes study texts for financially-orientated professional examinations, amounted to £1.16m (£2.16m for 1985). The level of activity for the half year was in line with internal forecasts, the directors said.

They expect profits in the second half to be significantly greater than in the first due to seasonal publishing sales in October at the start of the academic year. But it was too early to predict the outcome for the full year, they added.

Tax was £81,000 (£65,000).

Continuing timber problems cut Hickson profits midway

CONTINUING problems in the timber protection division was behind a fall in pre-tax profits from **Hickson International** in the opening six months of 1986. In New Zealand and South Africa demand was down because of the low level of economic activity and in Europe margins were hit by the severe winter.

Mr M. Hopley, chairman, said that there was little prospect of improvement in New Zealand and South Africa but he expected the business to pick up Europe in the second half.

Pre-tax profits for this West Yorkshire-based company fell from £7.79m to £7m on turnover up by £2.3m to £77.19m. With earnings per 50p share coming out at 21p (22p) the interim payment has been increased from 5p to 5.3p.

Timber protection contributed £1.49m to pre-tax profits down from £2.29m. Chemicals, where demand recovered from the low levels of the second half of the previous year helped by low raw material costs and favourable exchange rates, reported profits higher at £4.65m (£4.6m).

The distribution division improved slightly to £695,000 (£677,000).

Mr Hopley said that prospects for the rest of the year were mixed. Apart from the timber division, demand in the chemicals division was not rising as some forecasters had said because of the fall in the oil price but the order position was healthy and he did not expect a repeat of the decline experienced in the middl of 1985. The investment in custom chemical making should improve profits and reduce cyclical influences.

The distribution business should do well with the inclusion of profits from recent acquisitions, he added.

The pre-tax figure included net interest received of £159,000 (£228,000). Tax was £2.98m (£3.5m)

● comment

After some poor figures in last year's second half, Hickson's shares have been in the doldrums and these results are unlikely to put wind in their sails. Chemicals have not received the hoped-for boost from the lower oil price and both the New Zealand and the South African timber protection divisions have had serious problems. To provide growth, the company has turned to the merchant distributors division and a series of acquisitions is designed to turn the sector into a serious third leg of the group. That strategy should show some success in the second half, as higher profits from the merchant distributors should disguise the continuing poor performance of timber protection. Chemicals should show some pick-up from last year's poor second half. For the full year, pre-tax profits of £14m look achievable, which puts the shares on a prospective p/e of 9.5 at 398p. The company will haev to show a firmer grip on the timber protection division and a successful strategy for further acquisitions before the shares can be up-rated.

Wm Jackson jumps to £2m

Second half pre-tax profits of **William Jackson & Son**, baker, confectioner, meat productm anufacturer, surged from £1.26m to £2.01m and lifted the full year's result, to April 26, 1986, from £2.14m to £2.78m.

The result included associated company's profit of £237,000 (£21,000) and was after interest payable of £588,000 (£622,000).

Turnover amounted to £165.27m, compared with £153.46m, whileco st of sales took £136.53m (£127.49m). After tax of £1.17m (£534,000) an dan extraordinary debit of £143,000 (£89,000 credit) the attributable balance emerged down at £1.47m, against £1.69m.

Earnings per 50p share are shown at 71.5p (71.1p).

COMPANY NEWS IN BRIEF

LAW DEBENTURE Corporation, investment trust, declared unchanged interim dividend of 2.75p for first six months of 1986. Earnings per share were 4.17p (3.27p), and net revenue totalled £952,000 (£747,000). Net asset value per 25p share at the period-end was 286.1p (234.1p at December 31 1985).

SAVAGE GROUP, the USM-quoted shelving system specialist, has bought the goodwill and stock of a German supplier of wooden shelving systems, Gerhard Gohrig GmbH, for £678,000 cash.

SHERATON Securities International's rights issue of 22.81m shares has been subscribed as to 21.76m or 95.4 per cent. The English Trust Company, financial adviser to Sheraton, has arranged for the balance to be sold in the market at 46p per share, a premium of 2p over the rights price.

INVESTMENT TRUST of Guernsey raised net asset value per 50p share from 166p to 204p over the year to June 30 1986. Net revenue for the half year to end-June totalled £410,000 (£417,000) after tax of £122,000 (£130,000). Earnings amounted to 3p (3.1p). The interim dividend is held at 2.5p. The board expects to recommend an increase in the final—4.75p was paid previously.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Alliance Trust, Conder, Laurence Gould, Rea Brothers, J. W. Spear.

Finals: Ewart New Northern, Tip Top Drugstores.

FUTURE DATES

Interims—	
Bredero Properties	Sept 29
EBC	Aug 15
Pearl Assurance	Aug 27
Scottish Eastern Invest. Trust	Aug 18
Stat-Plus	Sept 2
Technical Component Inds.	Aug 12
United States Debentures	Aug 28
Weir	Aug 27
Finals—	
Press Tools	Aug 27
Wholesale Fittings	Aug 15

BARCLAYS PLC.

The Directors of Barclays PLC report the following Group results for the half-year ended 30th June 1986.

The Chairman, Sir Timothy Bevan, said today: Barclays Group pre-tax profit increased by 8% to £434m in the first half of 1986, reflecting the Bank's policy, in increasingly competitive conditions, of seeking controlled expansion and quality profits.

Post-tax profit was 31% higher at £283m.

Overall our provisions have maintained their downward trend.

The Group's strong capital position has again improved with retentions up by 38% to £214m. With the successful Euroyen issue, the free capital ratio rises to 7.1%. This is ahead of most of our major international competitors and, bearing in mind that banking is a long term business, will give us the strength we need to carry out our plans for expansion in the UK and overseas.

It is our policy to give a first class service. In the UK, we are making our branches more attractive and have increased the number of staff dealing with customers. Nevertheless, the increase in our operating costs was held below 9%.

It remains our objective to provide stockholders with consistent real growth in earnings and we are increasing the dividend by 13% to 9.5p.

In spite of economic uncertainty and the rapid changes in banking, Barclays remains strong and flexible and I view the future with confidence.

Timothy Bevan

7th August, 1986.

CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)

(Historic cost basis)

	Half-year ended 30.6.86 £m	Half-year ended 30.6.85 £m	Year ended 31.12.85 £m
Operating profit	394	372	780
Share of profit of associated companies	40	31	74
Profit before taxation and extraordinary items	434	403	854
Taxation	151	187	405
Profit after taxation	283	216	449
Profit attributable to minority interests in subsidiary companies	1	1	2
	282	215	447
Extraordinary items	(2)	(2)	3
Profit attributable to members of Barclays PLC	280	213	450
Dividends	66	58	128
Profit retained	214	155	322
Earnings per £1 Ordinary stock	41.0p	35.9p	69.5p
Dividends per £1 Ordinary stock	9.5p	8.4p	18.6p
Average exchange rate for period: US$/£ (Used for profit and loss account)	1.47	1.19	1.30

NOTES

1. The accounting policies set out on pages 39 & 40 of the 1985 annual accounts are unchanged. Comparative figures for the 1st half of 1985 have been amended from those published on 1st August 1985 to take account of the change in status of Barclays National Bank Limited and the changes in accounting practices relating to dividend accounting and hyper-inflation implemented in the 1985 annual accounts.

2. On 1st June 1986 Barclays Bank PLC acquired the businesses of stockbrokers de Zoete & Bevan and stockjobbers Wedd Durlacher Mordaunt & Co through a new subsidiary, Barclays de Zoete Wedd Holdings Limited, in which former partners of de Zoetes and Wedds now have an interest. The businesses of Barclays Merchant Bank and certain other subsidiary companies have also been transferred to the new group.

The profits of the Barclays de Zoete Wedd Group reported in this announcement comprise those of the former Barclays Merchant Bank for the six months to 30th June 1986 and the Group's share, related to its previous 29.9% holdings, of the profits of the former de Zoete and Wedd partnerships to 31st May 1986. They include £7m of realised investment gains by Barclays Development Capital Limited.

In the Group balance sheet at 30th June 1986 shown in note 8 below, securities trading assets of £3,469m are included in Advances and Other Accounts and corresponding liabilities of £3,470m are included in Other Accounts. The amount of these assets and liabilities can fluctuate significantly dependent on the level of trading activity in the securities markets.

3. Analyses of profit before taxation and extraordinary items:

	Half-year ended 30.6.86 £m	Half-year ended 30.6.85 £m	Year ended 31.12.85 £m
By nature of income/expense:			
Interest income	3,665	3,808	7,579
Interest expense (note 4)	2,473	2,661	5,234
Net interest income	1,192	1,147	2,345
Foreign exchange trading income	54	54	115
Other operating income	540	486	990
	1,786	1,687	3,450
Operating expenses:			
Staff	719	660	1,346
Property and equipment	219	204	419
Other	258	234	487
	1,196	1,098	2,252
	590	589	1,196
Charge for bad and doubtful debt provisions	196	217	416
	394	372	780
Share of profit of associated companies	40	31	74
	434	403	854
By area of operations:			
UK Domestic Banking Operations	200	196	417
Central Retail Services Division	35	34	75
Mercantile Credit Group	35	36	79
Barclays de Zoete Wedd Group*	20	10	21
Financial Services Division	20	20	40
Other UK Companies	18	10	21
International Banking Operations			
In UK	34	34	109
United States	34	30	54
Rest of the World	41	33	58
	434	403	854

*1985 comparative figures are for the Barclays Merchant Bank Group (note 2).

4. Interest expense includes interest on loan capital and undated capital notes of £167m (1st half 1985: £105m; Year 1985: £207m).

5. The charge against profit for bad and doubtful debt provisions comprises:

		Half-year ended 30.6.86 £m	Half-year ended 30.6.85 £m	Year ended 31.12.85 £m
Charge for specific provisions				
new provisions	180			
transferred from general provisions	139	319	196	383
Charge/(credit) for general provisions				
new provisions	35			
transferred to specific provisions	(139)	(104)	31	53
		215	227	436
Recoveries of amounts previously written off		(19)	(10)	(20)
		196	217	416

The basis for determining the total provisions charge is the same as in previous years. However, the relationship between the respective charges for specific and general provisions in the 1st half of 1986 reflects the reallocation as specific of provisions of £139m in respect of certain cross-border risks previously covered within the totality of general provisions.

6. The charge for taxation is based on an estimated overall group rate for the year and assumes an average UK corporation tax rate of 36.25% (1985: 41.25%). Deferred taxation is provided at the estimated future tax rates on all timing differences between the accounting and taxation treatment of income and expenses, except where, in the opinion of the Directors, no liability to taxation is expected to crystallise.

7. Earnings per £1 Ordinary stock are based upon profit before extraordinary items and after deducting taxation, profit attributable to minority interests and dividends on Staff stock, and are related to the Ordinary stock in issue during the half-year.

8. Summarised consolidated balance sheet of Barclays PLC (unaudited):

	Half-year ended 30.6.86 £m	Half-year ended 30.6.85 £m	Year ended 31.12.85 £m
Assets:			
Cash and short-term funds	13,107	9,804	11,358
Investments	1,680	1,594	1,701
Advances and other accounts	56,558	51,628	50,460
	71,345	63,272	63,579
Associated companies and trade investments	344	417	370
Property and equipment	1,265	1,193	1,244
	72,954	64,882	65,193
Liabilities:			
Deposits and cheque accounts	58,716	55,264	55,127
Other accounts	7,665	3,793	3,789
	66,381	59,057	58,916
Long-term borrowings of overseas subsidiaries	842	780	850
	67,223	59,837	59,766
Capital resources:			
Loan capital	1,098	1,354	1,253
Undated capital notes	1,171	465	836
Minority interests in subsidiaries	102	51	30
Stockholders' funds:			
Called up share capital	689	667	667
Reserves	2,671	2,508	2,641
	3,360	3,175	3,308
	5,731	5,045	5,427
	72,954	64,882	65,193
Period end exchange rate: US$/£ (Used for balance sheet)	1.54	1.30	1.44

9. Movements in stockholders' funds:

	Half-year ended 30.6.86 £m	Half-year ended 30.6.85 £m	Year ended 31.12.85 £m
At beginning of period	3,308	2,601	2,601
Stock issued:			
Rights issue (net of expenses)	–	507	507
Under profit sharing and stock option schemes	9	6	6
Goodwill arising on acquisitions	(129)	–	(2)
Effect of non-consolidation of certain companies	–	(51)	(51)
Translation difference arising on movements in exchange rates	(40)	(43)	(75)
Other items	(2)	–	–
Profit retained	214	155	322
At end of period	3,360	3,175	3,308

10. The information in this announcement does not comprise full accounts within the meaning of Section 254 of the Companies Act 1985. Full accounts for the year ended 31st December 1985 containing an unqualified audit report were delivered to the Registrar of Companies in accordance with Section 241 of the Companies Act 1985.

11. This announcement will be published in the Times, Financial Times, Daily Telegraph and the Guardian on 8th August 1986.

DIVIDENDS

The Board has decided to pay, on 8th October 1986, a first interim dividend for the year ending 31st December 1986 of 9.50p per £1 Ordinary stock in respect of stock registered in the books of the company at the close of business on 12th September 1986. This is equivalent to 13.38% gross on that stock and represents a 13% increase over the first interim for 1985 of 8.40p. An interim dividend of 7.00p per £1 on the Staff stock will be paid at the same time to holders registered on 30th June 1986.

COMMENTARY

Post-tax profit was £283m, 31% higher than the £216m recorded in the first half of 1985. Pre-tax profit increased by 8% from £403m in the first half of 1985 to £434m.

Earnings per £1 Ordinary stock increased from 35.9p in the first half of 1985 to 41.0p, a rise of 14%, and we have declared an interim dividend of 9.5p per £1 Ordinary stock, an increase of 13% on last year's first interim dividend.

There was a reduction in the effective rate of taxation from 46% in the first half of 1985 to 35% reflecting the fall in UK corporation tax rates and the effect of the reallocation, as specific, of £139m of our total general provisions.

Profit by nature of income/expense.

Net interest income grew by only 4% to £1,192m, reflecting a low level of advances growth and lower interest rates in the UK; and also our continued policy of seeking to improve the quality of our lending.

Other operating and foreign exchange trading income increased by 10% to £594m. Within this figure, commission income grew by 8% to £469m.

Operating expenses rose by nearly 9% to £1,196m. The increase in staff expenses of £59m reflects the salary rises awarded to our staff and also the recruitment of additional staff in the UK to support our Customer Service Programme.

The charge for bad and doubtful debt provisions reduced from £217m to £196m with improvements achieved principally in Rest of the World operations, where specific provisions were reduced by £19m. Experience in the UK has, however, continued to be disappointing. The charge for general provisions was £35m prior to the transfer of £139m to specific provisions in respect of certain cross-border risks.

Profit by area of operations.

UK Domestic Banking Operations – pre-tax profit increased by £4m to £200m. This growth was disappointing, reflecting a low level of commission income growth, due to the effect of 'free banking' and increased competition, and a fall in interest margins from 6.2% in 1985 to 5.7% as the impact of lower interest rates was felt. At the same time, our costs increased as we invested for the longer term in our Customer Service Programme.

Central Retail Services Division – includes our credit card, Masterloan and travellers cheque operations. Pre-tax profit increased by £1m to £35m. Our credit card operations continued to perform well, although there was a higher level of provisions. Underlying profit from travellers cheques improved but was reduced by the costs of integrating the business purchased from Chase Manhattan earlier this year.

Barclays de Zoete Wedd – increased pre-tax profit to £20m This includes £7m of realised investment gains by Barclays Development Capital but represents principally the profit of Barclays Merchant Bank which experienced a very satisfactory performance.

United States – achieved a pre-tax profit of £34m, an increase of £4m on the equivalent period in 1985, and £30m above the result achieved in the second half of 1985. Results from our United States operations have been affected by the continued strengthening of sterling against the US dollar – if the average exchange rate prevailing during the first half of 1985 had been maintained, profit would have been £8m more.

Rest of the World – pre-tax profit increased by £8m to £41m. Our share of the profits of Barclays National Bank amounted to £10m. Our operations in France and Spain continued to make good progress.

Balance Sheet.

Total assets increased by £7.8bn in the first six months of 1986. Within this figure, advances and other accounts increased by £5.9bn, in part due to the inclusion of the securities trading assets of de Zoetes and Wedds totalling some £3.5bn.

Capital resources were strengthened through retained profit of £214m and the raising of US$750m in undated primary capital notes offset by goodwill of £125m written off in connection with the setting up of Barclays de Zoete Wedd. Since the end of the half-year, capital resources have been further strengthened by the issue of Yen 40bn of 6% Guaranteed Bonds 1996.

Future Prospects.

The outcome for the full year is viewed with cautious optimism.

BARCLAYS

54 Lombard Street, London EC3P 3AH.

UK COMPANY NEWS

Brunning incurs higher loss than was forecast

BY TERRY POVEY

THE Brunning Group, once one of Britain's leading advertising agencies, has announced a worse pre-tax loss than that forecast during May's management restructuring.

The loss of £1.18m compares with a profit before tax of £377,000 in the year to March 1985.

Mr Trevor Shonfeld, who became chief executive in May, said that all the loss over and above that forecast had taken place in PHS Nelson, the contract packaging subsidiary. PHS was sold to its management as of March 31.

In May, Brunning forecast losses of up to £800,000 on PHS and £200,000 on continuing activities. In the figures reported the loss made by continuing operations was £196,000.

When Brunning was listed in 1961 it was the first advertising agency in Europe to go public. In 1966 it ranked seventh among UK agencies in billings' (turnover) terms.

According to Mr Shonfeld it now ranks about 30th, with a turnover in the year to March of £60.7m against £56.8m previously.

The company has always been a mixture of a London-based agency with major clients and a regional agency offering a different level of service on a local basis.

Group clients include Lever Bros, MFI Furniture, Halifax Building Society, Payless DIY, Toyota and Lyons Tetley.

Since the restructuring the new board had concentrated on improving the accounting systems and in considering the future shape of the group and about 60 of the company's 550 staff have been dismissed.

Short listing has been completed for both a finance director and a non-executive chairman, said Mr Shonfeld, and a new creative director for the London office has been poached from one of the top five agencies.

Against the pre-tax loss, Brunning has offset a tax credit of £254,000 to produce an attributable loss of £992,000 (profit of £117,000).

The loss per share was 32.5p against earnings of 9.1p in the previous year. As announced in May, no final dividend is to be paid—leaving the annual total at the unchanged interim level of 2.1p.

● comment

The institutions which backed May's placing of the Brunnings' family shares at 145p and which supported the management restructuring rather than a sell to Charles Barker, appear confident that the group can regain its 1960s glory before too long. Over the years almost every form of diversification was indulged—Brunning has owned tobacconists and sweet shops, caravan distributors, glaziers, and even built boats. Unfortunately it has not done very well at its core advertising agency since profits peaked in 1978. With all the distractions now removed it is to be hoped that Brunnings will soon be earning the 3 per cent margin on billings the market expects. A new name or at least a new image should be rolling off the stocks before very long and if £250,000 pre-tax is all that this year will produce, the market could soon be discounting the prospect of £2m in 1987-88. On an 18 month view the prospective multiple is only 4 at 168p—a gamble that may be worth taking when the competition is riding on p/e ratios over the 20 mark.

WSL buys charter flight specialist

By Charles Batchelor

WSL Holdings, the former Wolverhampton Steam Laundry, yesterday announced a further expansion of its travel operations with the purchase for up to £4.7m of Pilgrim Air, a charter flight company specialising in flights to Italy.

Pilgrim, a private company owned by Mr and Mrs Flaviano Preston, made a pre-tax profit of £354,000 in the year ended March 1986 compared with £2,000 in 1981-82. It sold more than 250,000 aircraft seats in the 1985-86 tourist season and also has an inclusive holiday business operating as Magic of Italy.

WSL began its move into the travel business in June 1985 with the purchase of H & C Travelway, a school travel operator, for up to £2.1m.

Last March it bought Schools Abroad Group, another specialist travel company, for up to £12m in a move which gave it a total of 72 per cent of the school travel market.

At the same time it sold its laundry business to its management though it retained the freehold of the property.

The Pilgrim deal will take the total capacity of WSL to 465,000 aircraft seats a year. The air travel programmes of the current group are geared to the December-to-April months, while Pilgrim offers seats mainly between March and October.

The purchase of Pilgrim will save WSL £130,000 paid annually to airline seat brokers and should allow WSL to offer flights for not much more than competing coach holidays.

Mr Peter James, WSL chairman, said growth potential for educational travel was very large since only 500,000 of the 10m people in full-time education in Britain took part in such holidays.

Holiday division boosts J Webb

A BOOST in the holidays and leisure contribution more than offset increased interest and left taxable profits of Joseph Webb ahead at £303,768, compared with £230,002, for the year ended March 31 1986.

After tax down at £92,452 (£123,371) earnings per 5p share are shown as 0.8p (0.3p). The dividend is held at 0.511p with a same-again final payment of 0.3797p.

Turnover for this investment and property concern with interests in holiday villages and leisure, property investment, rose by £1m to £5.84m and yielded a gross profit of £1.56m (£1.2m)—holidays are leisure turnover was £5.57m (£4.59m).

Operating profits amounted to £821,439 (£614,562) of which holidays and leisure contributed £573,530, against £403,359. On the property investment side net rental income was £250,809, compared with £222,031.

The directors said that the group had recently launched its scheme for caravan sales to private owners on selective areas of its caravan parks and holiday villages which it was anticipated would provide additional income and increasing profitability.

They added that the increase in property income was expected to continue through rent reviews and lease renewals.

Lionel Barber reports on the background to FII's latest expansion

Acquiring the Lotus position

MR MONTY SUMRAY leant forward across the table and said: "Most shoe manufacturers in this country are still living in the Middle Ages." He paused. "I am sorry, I mean Victorian times."

Mr Sumray is the super-confident chairman of one of Britain's most profitable shoemakers, the South Wales-based FII Group. While many of its fellow UK manufacturers have gone into gentle decline, FII has boosted profits steadily.

The most eloquent expression yesterday of Mr Sumray's own success was his chauffeur-driven blue Rolls-Royce standing outside the office of his bank advisers, Charterhouse.

The Rolls appeared yesterday as FII, formerly Footwear Industry Investments, announced a £19m acquisition which would treble turnover to about £60m. Measured by production, FII will become one of the largest shoe-makers in the UK, behind Clarks and the British Shoe Corporation.

The proposed acquisition is Lotus, a shoe manufacturer the origins of which go back to 1760. Lotus was bought by Debenhams, the stores group, in 1973, which in turn was acquired last year by the Burton Group, the high street clothes and fashion retailers. Burton is selling in order to concentrate on its core business of retailing.

For the ebullient Mr Sumray, the Lotus acquisition gives FII a mouthwatering opportunity: the chance to run a high-quality profitable shoe manufacturer which is strong in design and fashion. And this at a time when

Roger Taylor

Mr Monty Sumray, chairman of FII: "Most shoe manufacturers living in Victorian times."

he says his own group cannot make enough shoes to satisfy demand.

For those who believe the British shoe industry is permanently on its uppers, FII stands out as a company which has refused to be cowed by the ever-present threat of foreign imports, which still account for some 60 per cent of the UK market.

The company's counter-attack came in the form of sustained capital investment, particularly during the industry's grim decline in the mid 1970s.

Last week FII opened a new 120,000 sq ft factory in Bridgend, South Wales, at a cost of £4½m, which Mr Sumray claims has the most modern and efficient production methods in the UK, Europe, "possibly in the world."

Part of FII's success, through its shoe manufacturing subsidiary, Fiona Footwear, lies in the company's close relationship with Marks & Spencer, the high street retailer which Mr Sumray has supplied for the past 26 years.

Quality helps as well. Mr Sumray claims a reject return rate for Fiona of just ½ per cent, compared with an industry average of between 3 and 10 per cent. Including imports, while pre-tax profit margins stand at 17 per cent, compared with Lotus's 10 per cent.

Unlike some other Marks suppliers, Mr Sumray says he has never been squeezed on margins and is comfortable with the fact that the combined group will send half of its sales to Marks.

If this seems too snug, it is worth remembering that Mr Sumray has had his setbacks. The 1986 accounts will show an extraordinary item amounting to about £300,000 relating principally to the closure of a loss-making merchanting division.

There is more to FII than footwear. The newly-acquired laboratory instrument maker, Denley Instruments, which makes blood testing equipment, made £300,000 pre-tax profits in its first year, according to Mr Sumray. But that only accounted for 15 per cent of FII's estimated pre-tax profits of not less than £2.2m for the year ended last May.

There remains a heavy dependence on shoes and yesterday's deal will turn FII into Marks & Spencer's largest supplier of ladies' shoes and second largest supplier of outdoor footwear.

But with room for higher margins at Lotus there is plenty of running left in Mr Sumray.

Bank of Scotland

The offer and loan note alternative from Bank of Scotland for the Commercial Bank of Wales will remain open for acceptance until 3 pm on August 20 and not August 28 as stated yesterday.

Grosvenor Square disappoints

A WEAKER investment market for offices outside central London together with adverse weather conditions during the winter and spring were blamed by the directors of the Grosvenor Square Properties Group for disappointing 1985-1986 results.

At the pre-tax level the group ran up losses of £78,000 compared with previous profits of £1.06m. Losses at the half-year stage amounted to £189,000.

Strategic changes have been made to the type and scale of development being undertaken.

The directors said yesterday that a greater emphasis was being placed on retail schemes—shopping centres such as the Colonnades at Bath and the London Pavilion in Piccadilly Circus.

At the same time the size of scheme was generally larger which, it was pointed out, in most cases meant a longer development period leading to profits being realised over a longer term.

At present the USM group has a development programme representing a value on completion of £100m. The directors were confident that the strength of the programme would be evident in future years, although it may not be apparent in the next half year.

Turnover for the past year (to March 1986) declined from £9.44m to £6.4m.

Losses worked through at 1.08p (earnings 15.1p) per 10p share but as a mark of their confidence the directors are lifting the net dividend to 6p (5.5p), the final being 3.75p.

SEET drops to £1.24m

SECOND HALF pre-tax profits of Scottish English and European Textiles, woven fabrics group, fell from £1.09m to £569,000 and left the full year figure ended April 30 1986, at £1.24m, against £1.93m. Turnover dropped from £18.51m to £14.69m.

A final payment of 3.7p (3.5p) lifts the total dividend to 5.3p, compared with 4.9p.

After tax of £449,982 (£763,772) and minority interests, £82,394 (£111,203), earnings per 20p share are shown as 17.65p (26.29p).

There was an extraordinary credit of £71,903 (£260,000 debit representing an over-provision regarding the closure of J. Blackburn and Co., completed during the 1985-86 year.

The directors said that the balance sheet remained strong with net cash balances of £2m (£1.4m) at the year end. Net tangible assets increased to £7.69m (£7.13m) with the net asset value rising from 177.6p to 191.7p.

Asset value up 38% at TR City

TR City of London Trust improved its net asset value per deferred stock unit by 38 per cent in the year to end-June 1986, from 105p to 144.8p, while its after tax income rose by 19 per cent to £4.24m against £3.56m.

The directors said that in view of the growth in earnings, from 3.57p to 4.28p, they were proposing an increased dividend of 4.1p (3.45p) for the year, with a fourth interim of 1.175p

CONTRACTS

ICI offices development

A. ROBERTS, Wimbledon, part of the Multi Construction (UK) Group, has secured six contracts with a total value of over £7.5m. The largest is a £2.3m contract covering phase 6 of offices at Fernhurst, Haslemere, for Imperial Chemical Industries, following on from completion of the adjacent conference centre, also built by Roberts. Further office projects include, one £1.5m at Queensway, W2, for Dorrington Investments, and a design and build contract of £1.1m at Millwall, Isle of Dogs, for Baltic Developments. At Reading University, Roberts is building a £800,000 sports hall, while at Alpine Way, Beckton, is a £800,000 reinstatement of a warehouse for Scott Haig & Co. Work starts soon on a £1m residential scheme at Wapping, E1, for Stride Developments.

★

ALFA-LAVAL ENGINEERING has received a £1.5m order from Van den Berghs for the supply of plate heat exchangers, pumps, valves, tanks and CIP (Cleaning-in-Place) for plant at Purfleet, Essex. The order is scheduled for completion in February, 1987.

★

BOWMER & KIRKLAND has won orders worth £6m. They include: a £1.5m contract to build a sheltered housing complex at Ealing for the Ealing Family Housing Association; a £2.5m retail development for Bendigo Properties at Burton-on-Trent; and a £1.3m retail development for Renaissance Properties at Derby, comprising six shop units.

★

TAYLOR WOODROW CONSTRUCTION (SCOTLAND) has received a contract, valued at £1.7m from Heriot Watt University for the construction of a library and a television centre at Riccarton Campus, Currie, Midlothian. The work calls for the erection of a four-storey library building of in-situ concrete frame on pad foundations with external walls of cavity brickwork, aluminium windows, bit felt roofing, acoustic ceiling and air conditioning. The two-storey television centre building will have loadbearing blockwork and pre-cast upper floor, a timber roof with profiled aluminium cladding, external cavity walls of brick external skin and fair face block internal. The work also includes mechanical and electrical services.

★

MUIRHEAD VACTRIC, a member of the RHP Group, has been awarded a contract worth £540,000 to supply a further three sets of ships' stabilizer control systems for fin stabilizers fitted to US Navy FFG7 class frigates. The order, placed by the US Navy, is scheduled for delivery in early 1987.

★

MECHANICAL HANDLING has secured orders worth nearly £20m. Included are an £8m order for departures baggage handling systems at the British Airports Authority's Heathrow Terminal Three, two offshore platform emergency evacuation systems (GEMEVAC) worth £2.75m for Mobil (Norway) Inc, equipment to handle bulk and bagged fertiliser at the Norsk Hydro Fertiliser, Immingham site worth £3.1m, and a £1.3m gold ore treatment complex for the Sudan.

★

REMSDAQ, of Deeside North Wales, a division of The De La Rue Company, has been awarded a contract valued at £6m for an integrated telemetry, instrumentation and control scheme for the Ministry of Electricity and Water Kuwait. The contract was placed by Hyundai Engineering and Construction Company of South Korea, main contractor for the construction of a water storage and distribution complex at Az Zour, together with a pumping station and regional control centre at Mina Abdullah. The overall project is known as the Az Zour Water Distribution Scheme.

★

Two companies within the HADEN GROUP have won contracts from China bringing the value of their work in that country to £6m. The latest, for paint finishing systems company Haden Drysys, and Haden King, conveyor systems specialist, is for spray booths, ovens and associated conveyors at the Tianjin light truck factory. Haden Drysys is already working at eight other commercial vehicle plants in China where the company's personnel are supervising and commissioning the work. Haden King is supplying the conveyor systems at five of these facilities.

★

Associated Tyre Specialists has placed an order worth £2.5m for a THORN EMI micrologic Electronic point of sale system. Each of ATS's 480 plus branches is to be equipped with at least one terminal specially adapted to withstand the difficult conditions in a tyre and exhaust depot.

★

A second order for mini-buses has been won by CARLYLE WORKS, Birmingham-based National Bus Company subsidiary, for 36 Carlyle Sherpa small public service vehicles to the West Midlands Passenger Transport Executive. This follows a 125 vehicle order from a new private sector company in which United Transport International has a major holding. The WMPTE order brings the total value of new business announced in a two week period to well over £3m. The first of the 36 Carlyle Sherpa buses are due to be delivered this month to go into service following deregulation in October. They are equipped with 18 seats and have additional standing passenger and luggage capacity.

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
—	F.P.	—	155	145	Authority Invs. 8% Cnv. Uns. Ln. 2006-11	145	−5
§97.947	£25	17/9	27¼	25⅛	Bankers Inv. Tst. 10½% Deb. 2016	26⅛	−⅛
£100	£10	—	9¾	9½	Bournem'th & Dist. Wtr 10½%Rd Db 1996	9½	......
§100p	F.P.	15/8	107p	105p	Business Mortages Tst. 8.6%Cum Prf.	106p	......
109.89	£40	29/8	40	36½	Estates & Gen. 11¼% 1st Deb. 2018	37¼	−¼
‖	F.P.	29/8	115p	102p	‡Fergebrook 12% Cnv Uns Ln 1992-97	105p	......
97.963	£25	24/10	25⅛	19	Gt. Portland 9½% 1st. Mort. Deb. 2016	19½	......
—	—	—	29	28½	JF Pacific Warrant S. A. Pref.	28½	......
105.523	£25	21/8	26	18	Land Securities 10% 1st. Mort. Deb.25	18½	−¾
§99.795	£25	29/9	24⅝	20½	Lnd. Shop Prop. 10% 1st. Mort. Deb. 2026	20½	−½
¶¶	F.P.	—	101	95	Mercury Intl. 7⅝% Cum Pref.	98	+½
—	F.P.	—	100¼	99¾	Nationwide 10¼% 27/7/87	100	−⅛
§99.997	£25	24/10	25⅛	23¼	Do 3⅞% IL Ln. 2021	23¼	−¼
¶100	F.P.	2/9	99	97	Newcastle & Gate. Wtr. 7% Red. Prf. 94/6	97	......
¶¶	F.P.	—	108	104	Rea Bros. 8.6% Cnv Prf	108	......
‖	Nil	—	4ppm	2ppm	Scantronic 5.75% Cnv. Cum. Red. Prf.	2ppm	......
‖	Nil	—	2½ppm	2½ppm	Stewart Est. 6¼% Com. Cnv. Red. Prf.	2½ppm	......
‖	Nil	—	5pm	¾pm	Utd Leasing 9½% Cnv. Sub Uns Ln '98—2001	½pm	−1½
¶¶	F.P.	—	101¼	101	VSEL Cons.11% Uns. Ln. 1996	101	−½
—	F.P.	—	110	107	Wight C'ns Cv. Cm. Rd. Prf. 1999 10p	109	−1

"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
49	F.P.	29/8	85	65	Abaco Invs. 5p	65	−4
12	Nil	19/9	1¼pm	½pm	Barker & Dobson 1p	½pm	......
39	Nil	—	2pm	1½pm	Blackwood Hodge	1½pm	......
170	F.P.	2/9	195	186	Coloroll 10p	195	+1
145	F.P.	20/8	185	160	Dataserv. Inc. 5c.	160	......
165	F.P.	28/8	185	162	Expamet Intl.	162	−6
5	Nil	12/9	25½pm	12pm	‡Hobson 5p	22pm	−½
330	Nil	26/9	81pm	58pm	London United 20p.	58pm	−13
200	F.P.	29/8	223	210	‡Meadow Farm Prod. 10p	220	+5
120	Nil	19/9	23pm	17pm	Medminster 10p	20pm	−3
35	Nil	12/9	30pm	25pm	‡Rockwood 10p	25pm	......
350	Nil	—	25pm	15pm	Rowntree Mackintosh 50p	22pm	......
44	F.P.	28/8	50	45½	‡Sheraton Secs. 10p	47	......
200	Nil	—	23pm	29pm	TVS N/Vtg. 10p	21pm	−2
125	Nil	24/9	18pm	11pm	‡Tod 5p	18pm	......
90	FP	17/9	92½pm	88	Top Value Inds. 10p	88	......
38	F.P.	28/8	40½	37	‡Yelverton Invs. 5p	37	......
41	F.P.	29/8	76	62	‡York Mount	62	......

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. [illegible] Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures. t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. [illegible] Allotment price. ‡ Unlisted securities market. †† Official London listing. [illegible] Including warrants entitlement.

FT CROSSWORD PUZZLE No. 6,094

CINEPHILE

7 down 22, 1 down 19, 5 8, and 17 29 were "20 down 14s"

ACROSS

1 Puma, lacking love, eats flowers, which is sweet and fine (6,5)
7 Friend at his lord's return? (3)
9 Rake on pole in cathedral city (5)
10 He broadcasts part of speech during movement of crane (9)
11 One who plots to ruin tiger? (9)
12 Couple on short time at cathedral (5)
13 Coming of one who sounds like a competitor (7)
15 Regular diet requires fat (4)
18 Despicable person who gets to the top? (4)
20 Plea: men used to put on jury? (7)
23 Load that makes motor work (5)
24 Anxious person who needs liberatin'? (4,5)
26 Australian, a tedious person with one drink in him (9)
27 Old doctor's written article in valley (5)
28 Boy finds woman infinite (3)
29 Bird that will need a quiet day? (11)

DOWN

1 Bird with numbers (8)
2 Speaks after silence, put up after work? (8)
3 Nun that is suffering from tedium (5)
4 Bird to dispose of silver refined inside (3-4)
5 Public information—a long time left (7)
6 Song and dance, possibly, with another way home (5,4)
7 Learned man of the same carat gold? (6)
8 Byron's name for a highlander (6)
14 19th century put to right between two boys (9)
16 Turkey's part in alliance inter alia (8)
17 Ran from France: enter actress from Italy (8)
19 Supplying workers for girl in China (7)
20 Deep place in 10 changed to high (7)
21 Direction—move slowly and write badly (6)
22 Boy poet (6)
25 Start to ask at home (5)

Solution to Puzzle No 6,093

NATIONAL WEALTH
LURED REDLETTER
TOWPATH SYRINGA
SHEEP ARBITRATE
BADMINTON SISAL
UNBRACE COINAGE
DESPERATE SINCE
READY RECKONERS

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australian Gold	18.5	19.7		0.15
Pacific Basin	13.5	14.1		0.7
Canadian Balncd Grwth	56.4	60.3		0.98
Gnme Mae	101.4	105.6	..	7.2

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Smllr Co's (z)	55.5	57.1xd	-0.4	1.50
British Growth (z)	64.9	66.7	-0.7	2.00
British Income (z)	63.8	65.6	-0.6	5.00
British Extra Yield(z)	50.7	52.1xd	-0.1	7.00

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	67.6	68.7		0.00
U.S. Govmt Bond F	50.507	0.509	-0.001	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Comm'l & Equity Tst	47.6	50.7		7.83
Growth Trust	49.6	52.8	-0.3	2.30
Income Trust	52.0	55.4	-0.3	5.29

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	67.1	70.6	..	2.97

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pl, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	120.8	128.6	-1.2	3.53

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF3 4NW 0222 35542

AA Friendly Sy July 11	107.4	...	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	206.3	217.3	..	—
Equity Ser. 1	96.7	101.8	-1.3	—
Prop. Acc. Ser 2	277.7	292.4		—
Equity Ser 2	105.1	110.7	-1.3	—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	94.0	100.3		—
Risk & Reward Bond	115.0	122.0	-1.0	—
Murray Johnstone Fd	116.0	123.3		—
Money Market Fd	100.0	106.0		—
Ivory & Sime Pen Fd	96.0	102.0		—
Risk & Reward Pen Fd	98.0	104.0		—
Murray J'stone Pen. Fd	114.0	120.0		—
Money Market Pen Fd	100.0	106.0	.	—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2LA Tel: 0908 606101/660888

Current Series

Property Fund	111.2	117.1	..	—
Money Fund	220.4	232.0	.	—
Managed Fund	399.5	420.6	-0.2	—
Equity Fund	284.7	299.7	-0.9	—
Fixed Interest Fund	150.0	157.9		—
Far East Fund	209.1	220.2	+0.3	—
North American Fund	167.2	176.0	+0.3	—
Natural Resources Fund	122.0	128.5	-0.2	—
Pension Managed Fund	367.2	388.7	-0.9	—
Pension Equity Fund	232.9	245.3	-1.1	—
Adventurous Mngd Fd	100.1	105.4	+0.1	—
Balanced Mngd Fd	100.1	105.4	+0.1	—
Conservative Mngd Fd	100.1	105.4	+0.1	—
European Fund	100.1	105.4	+0.1	—
International Fund	100.1	105.4	+0.1	—

For other prices please telephone 0908 606101/660888

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds

Mixed	130.0	136.9	+0.1	—
Equity	144.9	152.5	-0.3	—
Property	108.3	114.1	.	—
Gilt & Fixed Interest	116.0	122.2	-0.7	—
Indexed Securities	100.3	105.6	-0.3	—
Cash	106.9	112.6	.	—
North American	105.8	111.4	+0.6	—
Far East	130.0	136.9	+1.2	—
International	122.2	128.7	+0.5	—
Special Situations	142.2	149.7	+0.2	—
International Income	134.9	142.1	-0.2	—
American Income	113.4	119.4	+1.0	—
European	142.5	150.0	+0.6	—

Flexible Retirement Plan

Mixed	133.3	140.4	-0.2	—
Equity	138.8	146.2	-1.4	—
Property	112.4	118.4	-0.1	—
Gilt & Fixed Interest	121.8	128.3	-0.8	—
Indexed Linked	103.5	109.0	+0.4	—

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$18.25		+0.03	—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$15.96		+0.04	—

Inv. Adv., M. & G. Inv. Mngt., Ltd. London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$18.40			—
Dynamic Gwth Fd	$14.95		-0.01	—

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$11.89	12.53		—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	9.50			3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	9.71	7.26	10.39	Mth
7-day Fnd	9.61	7.83	10.49	Mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	9.52	7.12	10.21	Mth
7-day Fund	9.56	7.15	10.25	Mth
Dollar	5.25	—	—	Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Chq Acc	9.25	6.60	9.63	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	9.25	6.91	9.98	Qtr
Mth. Int. Chq.	9.25	6.91	10.04	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int. Cheque Acc	10.125	7.57	11.04	Mth
High Int. Cheque Acc	11.00	8.25		Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. Φ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	30	NEI	11
Amstrad	23	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	18
BSR	11	Polly Peck	16
BTR	28	Racal Elect	16
Babcock	17	RHM	20
Barclays	45	Rank Org Ord	45
Beecham	40	Reed Intnl	75
Blue Circle	55	STC	16
Boots	22	Sears	12
Bowaters	30	TI	42
Brit Aerospace	45	Tesco	32
Brit. Telecom	17	Thorn EMI	40
Burton Ord	28	Trust Houses	15
Cadburys	17	Turner Newall	18
Charter Cons	22	Unilever	120
Comm Union	28	Vickers	40
Courtaulds	26	Wellcome	17
FNFC	17	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	85	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	85	Samuel Props	25
Guardian	75	**Oils**	
GKN	32	Brit. Oil & Min	$2\frac{1}{2}$
Hanson Tst	16	Brit Petroleum	48
Hawker Sidd	48	Burmah Oil	30
ICI	55	Charterhall	4
Jaguar	38	Premier	$3\frac{1}{2}$
Ladbroke	32	Shell	55
Legal & Gen	24	Tricentrol	11
Lex Service	28	Ultramar	18
Lloyds Bank	38	**Mines**	
Lucas Inds	52	Cons Gold	40
Marks & Spencer	18	Lonrho	24
Midland Bk	44	Rio T Zinc	50
Morgan Grenfell	30		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Harare sells maize to S Africa

ZIMBABWE will shortly call for tenders for the export of a further 250,000 tonnes of maize to South Africa, according to the cereals industry in Harare, writes Tony Hawkins.

Earlier this year Zimbabwe sold 200,000 tonnes of maize to South Africa at a price of 265 rands a tonne ($100), but the present contract under discussion is at a price of only 110 rands a tonne ($42).

This would mean that Zimbabwe would be selling maize at a loss of around Z$130 a tonne (about $77).

However, Zimbabwe will have a maize stockpile estimated at 2.2m tonnes by the end of the year and is therefore anxious to dispose of some excess maize even at unattractive prices.

EEC butter plan 'will fail in UK'

AN EEC scheme to offer 3-year-old intervention butter for use in animal feed is unlikely to find any takers in Britain, according to the country's largest animal feed compounder BOCM Silcock.

The EEC Commission's intention is that the old butter should be incorporated in veal calf diets — but the bulk of stocks are situated in the UK where there is no significant market for veal feed.

As an alternative fat in dairy rations, BOCM believes that the butter will not be able to compete with palm oil, which is currently available to feed manufacturers at an all time low of under £150 per tonne.

France orders drought relief

FRENCH Agricultural Minister Francois Guillaume announced limited relief measures for farmers hit by the severe two-month drought affecting southern and south-western parts of the country, reports Reuter.

Te relief would be primarily aimed at livestock farmers to ensure they receive sufficient supplies of straw for fodder.

"It is impossible to put precise figures on drought damage at the moment," he said. This year the drought started in the same areas as last year, Mr Guillaume said, but added that "four-fifths of France is now affected."

There would be no special drought tax to fund relief aid as during the severe drought of 1976, he said.

Brazil holds on to sugar shipments

BRAZIL has reprogrammed 500,000 tonnes of sugar due for shipment from the 1986-87 June/May crop to the 1987-88 crop, Mr Ribeiro Toledo Filho, president of the Sugar and Alcohol Institute said.

The effect of drought on this year's cane harvest, particularly in the state of Sao Paulo, meant planned output of sugar and alcohol would not be achieved, he said.

Platinum prices soar as fears of sanctions grow

BY STEFAN WAGSTYL

PLATINUM prices soared yesterday to their highest levels since the inflation-boosted boom in the metal markets in 1980-1981.

After rising steadily earlier in the week, prices leapt ahead yesterday in London and in New York as investors continued to buy metal in the hope that concern about political unrest in South Africa would raise prices still higher. One London trader said: "It looks like an ever-rising spiral of speculation."

In London the metal closed at $498 an ounce, up $11 on the day and $3.75 since the beginning of the month. Prices continued to rise in New York, with metal for immediate delivery trading late on the New York Mercantile Exchange at $494.6 an ounce—$15.9 higher on the day—and October platinum hitting $499 an ounce before falling back to close at $498.1.

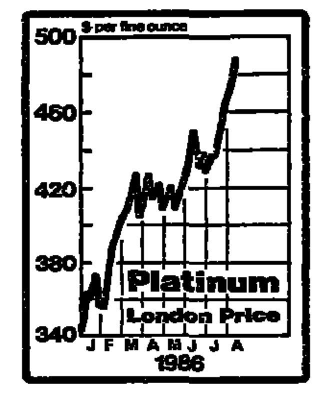
Metal for delivery in January and later next year traded above the $500 an ounce level.

Mr Bill O'Neill, of Elders Finance in New York, said speculators may be exaggerating the risk of possible interruption of supplies of platinum from South Africa, which produces some 80 per cent of the west's

CHINA'S gold sales to Hong Kong rose sharply in the first five months of 1986 and dealers said the rise was partly to offset a foreign exchange shortfall.

Chinese sales rose to 10.03m grammes worth HK$851m between January and May, from 20.195g worth $1.5m a year earlier, according to census and statistics department figures.

Hong Kong's re-exports of gold from all suppliers, including China, rose to 6.65m g during the first five months of 1986 from 1.26m a year earlier, according to the



metal. But there were fears driving the market. "I think the market has got some way to go. It's looking over $500."

Traders said that this week's price increase has largely been prompted by the increasing likelihood that more economic sanctions of some kind will be imposed on South Africa following the Commonwealth mini-Summit in London. Investors were particularly concerned about any hint of South African reprisals, such as the levies imposed this week on imports crossing the country bound for Zambia and Zimbabwe.

For the moment the market seems to be ignoring the fact that South Africa would be reluctant to impose export restrictions on a metal which last year earned $675m on the current account.

The extent to which the platinum market is dominated by South African politics is shown by the fact that the gold price barely moved yesterday, closing in London at $362.5 an ounce, up $1.5. Platinum's premium over gold therefore widened to $125.50—the highest since 1980. Meanwhile, shares in the leading South African platinum companies barely moved — Rustenburg closed down 10p at 590p and Impala was up 10p at 615p.

Japan clinches steam coal deal with Australia

BY ROBERT KENNEDY IN SYDNEY

AUSTRALIAN steam coal producers have announced a price deal with a Japanese power utility that could produce about A$5 (£2.06) a tonne extra for their coal. They struck a deal on Tuesday with the Chugoku private power company to supply coal at US$31.98 (£21.61) a tonne, compared with the price of A$48.76 (£20.11) prevailing for deliveries up to March 31 this year. Deliveries already made will have contract prices backdated.

The Chugoku utility is the first of nine private utilities in Japan to settle prices for this Japanese fiscal year, which began on April 1.

Japan's cement producers, which use Australian coal almost exclusively, are expected to move with the new contracts.

Japan is Australia's biggest customer for steam coal, taking just over 50 per cent of the 41m tonnes produced a year.

The producers involved in the deal are the BHP-owned Thiess Dampier Mitsui, Oakbridge, White Industries and the partially French-owned Wambo colliery.

The new prices translate to A$53.30 a tonne at current exchange rates, a rise of A$4.54 or 9.3 per cent on previous contract prices, but are still a bargain for the Japanese buyers.

The price is still lower than contract prices signed with South African coal producers, Australia's looming competitors in South-east Asia.

Mr Bill Miles, Oakbridge managing director said: "That's a good price for the Japanese and when you convert it into Australian dollars it's a good price for us."

Buyers shell out more for peanuts

BY ANDREW GOWERS

PEANUT PRICES are surging amid expectations that this year's all-important US crop will be hit by drought.

In recent weeks, traders have been forced to shell out between $1,350 and $1,400 per tonne (cif Rotterdam) for nuts which would have cost less than $800 as recently as April.

The reason for the rise is the drought which has afflicted the south-eastern US—including the key peanut growing states of Georgia, Alabama and, to a lesser extent, Florida—for the last few months and seriously impeded peanut planting.

Traders forecast that the US crop—which normally takes care of around half of total world market needs—will fall well short of last year's 2m or so tons, with estimates ranging around the 1.75m level. "Damage has been done, but nobody really knows how much," said one.

"If the 1985 surplus was insufficient to keep prices down, little imagination is needed to figure out what this year's prospects will do to the prices," commented Rotterdam-based groundnut trader Alfred Toepfer.

Significantly, US nut processors are reported to have been putting pressure on the government to allow them to import peanuts to make up for an expected shortfall.

Memories have been evoked of 1980, when the market woke up too late to a disastrous shortfall in the US crop.

However, one trader said yesterday that the pandemonium which ensued that year is unlikely to be repeated six years on. In the first place, she said, this year's shortfall was not likely to be as serious as in 1980, when the US crop was only 1.1m short tons.

Secondly China, a very large peanut producer which only exports relatively small tonnages in normal years, moved in to fill the gap at that time, and is likely to do so again. Thirdly, Argentina has expanded its own production in the interim.

Spanish shortfall boosts Britain's cereals market

BY JOHN BUCKLEY

A MONTH ago, UK cereal prices seemed set to languish under the burden of high carryover stocks and the delayed opening of intervention stores where tough entry standards had been set for grain seeking support.

To make matters worse, at the close of a season of dismal offtake by Third World countries, prospects for UK exports had rarely seemed dimmer. Cutprice US competition was having considerable effect on prices on world markets. This encouraged customers to wait for better bargains while the rest of Europe still seemed set for recovery in production after last year's crop disasters.

This week, however, there are broad smiles on the faces of those who went long on this "buyer's market." UK wheat and barley has been trading at £8 to £9 premiums on prices ruling at end-June, and depending on the size of the British and Continental crops, prices could still rise further above levels ruling this time last year.

To some extent, this is an artificial development. Wheat and barley prices remain under heavy pressure in many sectors of the world market as a result of the competition between the US and other exporters. But the EEC's own grain market is protected by the barrier of its variable import levies. Any disruption to supply in the internal market can distort prices in a way which bears no relation to happenings in the rest of the world.

What initially turned the market on its head was the revelation that Spain's crops had been hit much harder by drought than anybody feared. Far from exporting grain (2m tonnes was sold on the world market last year), Spain now seems likely to need at least 2m tonnes of barley and 1m tonnes of wheat imports.

But that net correction is by no means the end of this season's contraction in EC-12 cereal supply. Crop problems abound, not just along the Mediterranean coasts of France and Italy but across northern Europe, where both Denmark and West Germany are now expecting smaller harvests.

COMBINED CEREALS PRODUCTION of 12 EEC members

	m tonnes
1983	138.1
1984	172.5
1985	159.5
1986 (estimated)	153.7

Source: International Wheat Council and trade estimates

British crops are faring better than those on the Continent at a currently forecast range of 23m to 23.5m tonnes compared with last year's 22.5m. Carrying the lion's share of intervention stocks and with the advantage of the recent dip in the value of sterling, British grain has become the cheapest in Europe.

For example, based on a current export rebate bids of around 100 Ecus per tonne, barley and feed wheat can be offered around $77-78 per tonne, compared with French barley at $86 and wheat at $90. Even Argentine grain is asking $80-82. British barley exporters have been quick to cash in and are now believed to have filled around threequarters of the 1m tonnes of barley Spain is already estimated to have booked.

The extent of the fall in the Spanish crop has undoubtedly taken many by surprise. During the crucial 30-days "crop-making" period from mid-May onward, on-the-spot observers reckon crop potential fell at the staggering rate of 100,000 tonnes a day.

While the Spanish press has been carrying forecasts of a barley harvest of at least 7m tonnes, one observer recently in Madrid said the figure is more likely to be in the region of 6.1m, although estimates down to 5.7m have been reported compared with 10.7m last year.

Wheat is faring little better as estimates slide towards 4m to 4.2m tonnes from last year's 5.3m and the 6.1m harvested in 1984.

The reaction to the deficit was heightened by the fact that several international shippers had put forward business on their books only to find they could not cover in from country merchants.

This was possibly a side-effect of the EEC's co-responsibility levy, which confused the entire market as to how much new crop grain was worth and which parties actually paid the levy. "At one time," said one shipper gloomily, "if you sold 20,000 tonnes it took six weeks to cover it in." The situation was also exacerbated by a jump in cereal substitute prices following the recent upturn in the dollar, while the harvest itself has been running late.

Where prices go next depends heavily on quality. The interest in UK grains is largely based on price and expected abundancy. Like Britain's other big export markets, Algeria and Poland, Spain is likely to have bought UK grain on an optional origin basis including a £3 to £4 discount if the grain is feed quality.

Shippers do not rule out larger discounts being demanded if the world market continues its recent collapse, but if the UK crop comes in with high quality—say at least 30 per cent of it with bushel weights of more than 76 kg—then the market could look under-priced at recent traded levels.

Spain's crop problems have had a knock-on effect along the southern European markets. France—which expected to fill Spain's feedgrain deficits by shipping maize across the border—is now in deep trouble with its own drought-hit maize crop. Grain available for Spain will be tighter and dearer, again leaving the latter market wide open for cheap British grain.

Italy, too, has maize and barley crop problems which might have prompted it to turn to French supplies, while Greece, another large maize producer, is watching the inexorable tightening of supply with growing caution on new sales.

Although some traders feel UK grains may now have "topped out" ahead of the harvest bulge in supply, news that drought was clipping back north European crops has helped keep prices firm. West Germany, traditionally one of the UK's largest customers for grains and Denmark too, will probably have smaller wheat and barley crops which will suck in British supplies. France, historically Britain's chief EEC wheat competitor, has seen its wheat crop estimates slashed from 29.8m to 27.5m tonnes compared with 33m in 1984. If drought continues in southern France, that could fall further.

Some traders, however, are uneasy about the strong export market against a backdrop of international price cutting in the wake of the US's export enhancement programme. This week UK basis fob prices for large vessels have been quoted up to £109 and £110 a tonne for barley and wheat respectively. With the US offering wheat to Moscow at as little as $91 to $92, the cost of bringing EEC grain down to world levels is now almost as high as the import value of the grain itself.

LONDON MARKETS

ZINC prices backed a generally dull and declining trend on the London Metal Exchange yesterday. The cash price rose £13.50 to £540 a tonne, in a largely technical reaction to what traders described as its recently oversold condition, aided by sterling weakness against the dollar. On the London Commodity Exchange, sugar futures rose just over $1 a tonne in response to higher New York levels and to news that Brazil plans to defer 500,000 tonnes of its sugar earmarked for shipment during 1986-87 into the following crop year. Dealers said market reaction to the Brazilian news was muted by the fact that there was talk of it the previous evening. Gasoil futures continued their recent turbulent trading conditions, closing up $5.50 a tonne on the day at $130.75 a tonne after trading 6,101 lots. Cocoa futures continued to gain, although they closed below the highs, while robusta coffee futures closed firm on technical considerations.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial + or close (p.m.) — £ per tonne		High/low
Cash	759-5-5.5	+0.5	757/757
3 months	770-0.5	+1.75	771.5/768.5

Official closing (am): Cash 758.5-7.5 (751-2), three months 770-0.5 (764.5-5), settlement 757.5 (752). Final Kerb close: 771.5-2. Turnover 14,000 tonnes.

COPPER

Grade A	Unofficial close	+ or —	High/low
Cash	878-9	—2.5	880/880
3 months	898-9	—2.25	903/897.5

Official closing (am): Cash 878-9 (878.5-80), three months 898.5-9 (900-0.5), settlement 879 (880). Final Kerb close: 897-8.

Standard			
Cash	854-6	—1.5	855.5/853
3 months	875-7	—1.5	876/874

Official closing (am): Cash 853-4 (854-5), three months 876-6.5 (876-7), settlement 854 (855). US Producer prices 62-66 cents per pound.

Total turnover: 20,400 tonnes.

LEAD

	Unofficial + or close (p.m.) — £ per tonne		High/low
Cash	255-6		256.5/256
3 months	258-8.5	+0.5	260.5/258

Official closing (am): Cash 256-6.25 (255-5.5), three months 258-8.5 (257-7.5), settlement 256.25 (255.5). Final Kerb close: 257.5-8.

Turnover: 17,000 tonnes. US Spot: 21-24 cents per pound.

NICKEL

	Unofficial + or close (p.m.) — £ per tonne		High/low
Cash	2585-90	—47.5	2600/2590
3 months	2600-5	—48.5	2648/2581

Official closing (am): Cash 2590-600 (2628-30), three months 2630-5 (2635-40), settlement 2600 (2630). Final Kerb close: 2600-05. Turnover 3,036 tonnes.

TIN

KUALA LUMPUR TIN MARKET: Close 14.15 (14.15) ringgit per kg. Unchanged ringgit per kg.

ZINC

High grade	Unofficial + or close (p.m.) — £ per tonne		High/low
Cash	539-41	+13.5	
3 months	543-4	+12.75	544/538.5

Official closing (am): Cash 538-9 (526-7), three months 540.5-1 (530.5-1), settlement 539 (527). Final Kerb close: 540-1.

Turnover: 12,675 tonnes. US Prime Western: 41.5-44.75 cents per pound.

GOLD

Gold rose $1½ to $362½-363¼ on the London bullion market yesterday, the highest closing level since July 9 1984. The market reacted to the strength of platinum, and concern that South African retaliation to the threat of economic sanctions might cause disruption in supplies. Gold opened at $361-361¼ and was fixed at $360.85 in the morning and $361.80 in the afternoon. It touched a peak of $363¼-363¾ and a low of $360½-360¾.

GOLD BULLION (fine ounce) August 7

Close	$362¼-362¾	(£245¼-246)
Opening	$361-361¼	(£244¼-244½)
M'n'g fix	$360.85	(£244.181)
Aft'n'n fix	$361.80	(£244.707)

GOLD AND PLATINUM COINS

Kr'g'rnd	$360¼-362¼	(£244¼-245¼)
½ Krug	$190¼-193	(£128¾-130¼)
¼ Krug	$97-98	(£65¾-66¼)
1/10 Krug	$39¼-40¼	(£26½-27¼)
Mapleleaf	$372-375¼	(£252¼-254¼)
Angel	$370-375	(£250¼-253¾)
1/10 Angel	$37¼-39¼	(£25¼-26½)
New Sov.	$86-86	(£58¼-58¼)
½ New Sov.	$50¼-51¼	(£34¼-34¾)
$20 Eagle	$450-460	(£304¼-311)
Noble Plat	$505¼-508	(£340½-344)

SILVER

Silver was fixed 1.05p an ounce higher for spot delivery on the London bullion market yesterday at 350.50p. US cent equivalents of the fixing levels were: spot 517c, down 1.25c; three-month 524.65c, down 1.40c; six-month 532.45c, down 1.60c; and 12-month 548.05c, down 1.60c. The metal opened at 349½-351p (516-518c) and closed at 351-352p (518-520c).

SILVER per troy oz	Bullion Fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	350.50p	+1.05	350.75p	+1.5
3 months	356.50p	+1.00	358.25p	+0.5
6 months	362.15p	+1.10	—	
12 months	373.00p	+1.15	—	

LME—Turnover: 14 (14) lots of 10,000 oz.

Three months 358p, final kerb 358-9p.

MEAT

Cattle prices closed on a weaker note due to fresh producer selling, reports Eastern Capital CCST.

Cattle sales: 5 (0) lots of 5,000 kg. Pigs sales: 0 (0) lots of 3,250 kg.

	LIVE CATTLE		LIVE PIGS	
Month	Y'day's close	+ or —	Y'day's close	+ or —
Aug	98.00	—	97.50	—0.50
Oct	98.00	—	—	—
Nov	98.80	—0.20	103.50	—
Jan	98.50	—	100.00	—1.00
Feb	98.50	—	100.00	+1.00

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 95.56p per kg lw (−1.14). GB—Sheep 156.39p per kg est dcw (+1.93). GB—Pigs 80.21p per kg lw (−0.24).

INDICES

REUTERS

Aug 7	Aug 6	M'th ago	Year ago
1466.9	1464.3	1422.5	1714.4

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Aug 6	Aug 5	M'th ago	Year ago
Spot	116.03	116.56	—	114.58
Fut	118.54	111.93	—	114.79

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Aug. 6 1986	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1225/245		$1216/245
Copper			
Cash Grade A	£878.5	—2.5	£884.5
3 mths	£898.5	—2.25	£898.75
Gold Troy oz	$362.5	+1.5	$347.25
Lead Cash	£255.5		£247.75
3 mths	£258.25	+0.5	£251.5
Nickel			
Free Mkt	173/185c	—3	176/195c
Palladium oz	$121.40	+3.25	$112.00
Platinum oz	$488.00	+11	$433.75
Quicksilver	$165/185		$185/205
Silver troy oz	350.50p	+1.25	332.50p
3 mths	356.50p	+1.00	340.05p
Tin			
Free mkt	£5670/780	—10	£5800/50
Tungsten	$53.16		$54.42
Wolfram 22.04lb	$42/50		$42/50
Zinc	£540		£512.0
3 mths	£543.5	+12.75	£514.75
Producers	$840		$840
OILS			
Coconut (Phil)	$222.5w		$237.5
Palm Malayan	$305		$335
SEEDS			
Copra (Phil)	$150		$160
Soyabean (U.S.)	$174		$151
GRAINS			
Barley Fut.Nov.	£104.95	+0.15	£98.70
Maize	£148.00		£135.00
Wheat Fut.Nov.	£105.90	—0.20	£99.30
No. 2 Hard Wint.			
OTHERS			
Cocoa Ft. Dec.	£1458	+6.5	£1558.5
Coffee Ft. Nov.	£1758.5	+37	£1676.0
Cotton A Index	56.45c	+0.1	58.35c
Gas Oil Sept.	$130.75	+5.5	$97
Rubber (kilo)	59.5p		57p
Sugar (raw)	$155w	+1	$136.5
Woolltops 64s	385p kilo		385p kilo

$ Unquoted. † Per 75 lb flask. c Cents per pound. w Aug-Sept. x Oct. v Sept. * Cotton Outlook.

COCOA

Volume of trade was extremely light and futures were held within a £14 range to close near the highs. Physicals reflected the almost total lack of interest and no producer or consumer activity was noted, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
	£ per tonne		
Sept	1412-1418	+9.5	1418-1402
Dec	1457-1459	+6.5	1465-1455
March	1495-1496	+10.0	1498-1487
May	1510-1514	+7.0	1518-1502
July	1530-1533	+5.0	1532-1522
Sept	1549-1550	+9.0	1555-1548
Dec	1573-1574	+8.5	1576-1560

Sales: 2,805 (2,464) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for August 7: 92.36 (92.11); five-day average for August 8: 92.28 (92.50).

COFFEE

A steady performance was buoyed by further physical offtake, reports Drexel Burnham Lambert. Levels worked slowly higher with trade buying constantly supporting the market. Light commission house selling was easily absorbed.

COFFEE	Yesterday's Close	+ or —	Business Done
Sept	1761-1762	+38.0	1765-1694
Nov	1760-1767	+37.0	1788-1715
Jan	1775-1776	+30.5	1785-1740
March	1790-1795	+31.5	1800-1765
May	1800-1805	+30.0	1815-1775
July	1815-1825	+31.0	1825-1795
Sept	1830-1865	+35.0	—

Sales: 4,493 (4,581) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for August 6: Comp daily 1979 137.95 (134.62); 15-day average 150.06 (151.12).

SOYABEAN MEAL

	Yest'day's close	+ or —	Business Done
	£ per tonne		
August	128.0-128.5	+1.75	
October	127.5-128.5	+1.50	
Dec	127.5-128.0	+1.75	128.0-127.5
Feb	128.0-130.0	+0.50	
April	128.5-131.0	+0.50	128.0
June	128.0-130.0	+0.50	
August	128.0-132.0	+0.50	

Sales: 12 (25) lots of 20 tonnes.

GRAINS

Wheat eased on trade speculation about intervention release, but lack of confirmation rallied prices. Barley found aggressive short-covering in the spot position to close steady, reports T. G. Roddick.

WHEAT			BARLEY	
Month	Yesterday's close	+ or —	Yest'rdy's close	+ or —
Sept	103.65	—0.10	102.95	+0.55
Nov	105.90	—0.20	104.95	+0.15
Jan	108.90	—0.10	107.50	—0.10
Mar	111.20	—0.20	109.80	—0.10
May	113.65	—0.25	111.60	—0.20

Business done—Wheat: Sept 103.55-3.25, Nov 106.00-5.40, Jan 108.90-8.40, Mar 111.20-10.80, May 113.75-3.40. Sales: 201 lots of 100 tonnes. Barley: Sept 102.25-1.20, Nov 104.95-4.50, Jan 107.60-7.10, Mar unquoted, May 111.35-1.30. Sales: 226 lots of 100 tonnes.

LONDON GRAINS—Wheat: US Dark Northern Spring No. 1, 15 per cent: Aug 95.00, Sept 95.50, Oct 95.25. US No. 2 Soft Red Winter: Aug 91.25, Sept 92.50, Oct 94.75. EEC: Aug 125.00. English feed, fob: Sept 105.50-106.50 buyer/seller, Oct 108.00 buyer, Oct/Dec 110.00-110.50 buyer/seller, Jan-March 115.00 seller, April/June 117.50-118.50 buyer/seller. Maize: US No. 3 Yellow/French transhipment East Coast: Aug 145.50. Barley: English feed, fob: Sept 103.50 paid Scotland, Sept 103.25-104.25 buyer/seller, Oct 107.00 seller, Oct/Dec 110.50-111.00 buyer/seller, Jan-March 114.00, April/June 117.50 seller.

HGCA—Locational ex-farm spot prices. Feed barley: S East 99.10, S West 99.90, W Mids 99.60, N West 97.30. The UK monetary coefficient for the week beginning Monday August 11 is expected to change to 1.177.

SUGAR

PARIS—(FFr per tonne): Oct 1327/1329, Dec 1325/1327, Mar 1355/1357, May 1390/1400, Aug 1425/1435, Oct 1455/1465.

LONDON DAILY PRICE—Raw sugar $155.00 (154.00), down $1.00 (unchanged) a tonne for August-September delivery. White sugar $185.00, down $1.50.

No. 6 Con-tract	Yest'rdy's close	Previous close	Business done
	$ per tonne		
Oct	152.4-152.6	148.8-148.8	152.8-149.0
Dec	158.6-158.8	155.2-155.4	158.8-155.0
Mar	167.2-167.6	165.8-165.8	168.2-165.8
May	170.8-171.2	169.2-169.8	—
Aug	174.8-175.0	172.0-174.0	175.0-174.0
Oct	178.0-179.6	176.0-177.6	—

Sales: 1,981 (1,789) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £208.50 (same) a tonne for export.

US MARKETS

CONTINUED STRONG buying interest on the New York platinum futures market pushed the leading October delivery to new contract highs, although the market failed by 10c to break the important psychological resistance point at $500 per ounce, reports Heinold. Firm chart signals coupled with a lingering concern over the future of supplies from South Africa were quoted as the reasons for continued buying operations by leading commission houses. The market closed just under $16 up on the day. The gold and silver markets, however, did not benefit from soaring prices in platinum and could manage only modest gains in quiet trading. The nervous recovery on the coffee market was continued with the September delivery gaining 1.3c on the day. Despite a continued absecence of important fundamentals traders suspected that a technical support level was being established at 160c, which had proved to be the critical level before the sell off of earlier in the week.

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

	Close	High	Low	Prev
Aug	52.55	—	—	52.40
Sept	52.70	52.75	52.60	52.55
Oct	52.80	—	—	52.65
Dec	53.10	53.10	53.00	53.00
Jan	53.20	—	—	53.10
March	53.50	—	—	53.40
May	53.80	—	—	53.70
Sept	54.25	—	—	54.15
Dec	54.35	—	—	54.25

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
Sept	1906	1910	1893	1886
Dec	1967	1969	1953	1956
March	2012	2013	2005	2010
May	2037	2032	2032	2036
July	2057	2060	2060	2055
Sept	2089	—	—	2087
Dec	2124	—	—	2122

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
Sept	163.08	164.20	161.45	161.77
Dec	166.89	167.25	164.70	165.66
March	168.52	168.70	165.70	167.38
May	170.25	170.25	168.50	170.25
July	171.00	169.25	169.00	170.50
Sept	173.25	—	—	173.50
Dec	173.00	—	—	175.50

COPPER 25,000 lbs, cents/lb

	Close	High	Low	Prev
Aug	57.60	—	—	57.80
Sept	57.90	58.25	57.85	58.10
Oct	58.15	—	—	58.20
Dec	58.65	58.95	58.60	58.80
Jan	58.90	—	—	59.05
March	59.40	59.65	59.35	59.55
May	59.85	60.00	59.95	60.00
July	60.25	60.55	60.30	60.40
Sept	60.65	60.70	60.65	60.80
Dec	61.30	—	—	61.35

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Oct	30.870	31.55	30.50	30.50
Dec	31.83	32.37	31.78	31.54
March	32.86	33.27	31.83	32.56
May	33.53	33.90	33.75	33.30
July	34.35	34.80	34.35	33.95
Oct	35.35	—	—	34.65
Dec	36.26	36.40	36.25	35.70

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrel

	Latest	High	Low	Prev
Sept	15.39	15.40	14.80	14.97
Oct	15.10	15.20	14.40	14.64
Nov	15.10	15.15	14.45	14.61
Dec	15.07	15.15	14.42	14.62
Jan	15.10	15.10	14.55	14.64
Feb	15.10	15.10	14.50	14.67
March	15.05	15.05	14.50	14.70
April	15.00	15.10	14.80	14.73
May	15.10	15.10	14.76	14.76
June	15.04	15.10	14.60	14.79

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Aug	362.6	363.2	361.9	360.8
Sept	364.0	365.3	365.3	362.2
Oct	365.9	367.2	364.7	364.1
Dec	369.3	370.6	368.1	367.5
Feb	372.7	373.9	372.0	370.9
April	375.9	376.4	375.0	374.1
June	379.3	381.0	379.2	377.5
Aug	382.8	383.8	382.5	381.0
Oct	386.4	386.0	386.0	384.6
Dec	390.1	391.0	390.2	388.3
Feb	394.1	395.8	395.8	392.3
April	398.1	397.8	397.0	396.3
June	402.2	401.5	401.5	400.4

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Aug	494.6	487.0	495.0	479.7
Jan	502.4	505.0	494.0	485.9
April	506.2	507.5	486.5	489.7
July	510.1	510.0	502.0	493.8
Oct	513.9	510.5	508.5	497.4

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Sept	42.75	43.20	41.95	42.06
Oct	43.70	44.10	42.80	43.11
Nov	44.50	44.90	43.00	43.72
Dec	46.20	45.65	43.75	44.35
Jan	45.60	45.90	43.90	44.50
Feb	45.55	46.20	43.80	44.65
March	43.30	43.50	41.25	42.45
April	41.70	41.70	39.80	41.20
May	40.80	41.00	39.50	40.00
June	38.00	38.00	38.00	40.00

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Sept	100.70	100.80	100.55	100.65
Nov	102.20	102.20	102.00	101.95
Jan	103.75	103.75	103.65	103.40
March	105.00	105.25	104.80	104.80
May	106.90	—	—	106.40
Sept	109.80	—	—	108.40
Jan	110.40	—	—	110.00

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
August	520.2	519.0	519.0	517.1
Sept	522.5	525.5	520.0	519.5
Oct	525.4	529.0	523.8	523.0
Dec	531.3	534.5	529.0	528.2
Jan	534.3	—	—	531.2
March	539.8	542.0	538.0	536.8
May	546.6	547.5	543.0	542.8
July	551.4	553.8	550.0	548.3
Sept	557.6	560.0	557.0	554.5
Dec	567.1	569.0	567.0	564.1

SUGAR WORLD "11" 112,000 lbs, cents/lb

	Close	High	Low	Prev
Sept	6.57	6.59	6.43	6.34
Oct	6.82	6.84	6.68	6.47
Jan	6.91	6.90	6.85	6.77
March	7.49	7.53	7.36	7.40
May	7.63	7.70	7.54	7.53
July	7.80	7.83	7.68	7.69
Sept	7.95	7.92	7.92	7.86
Oct	7.99	7.97	7.88	7.90

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
August	59.75	59.90	59.10	58.50
Oct	59.95	60.15	59.22	58.52
Dec	58.62	58.80	58.15	57.87
Feb	57.02	57.05	56.50	56.30
April	57.75	57.90	57.47	57.17
June	57.55	57.80	57.12	57.12

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
August	61.45	61.45	60.60	59.95
Oct	53.67	54.10	53.36	52.65
Dec	52.57	53.25	52.42	51.87
Feb	50.95	51.40	50.55	50.15
April	45.55	46.35	45.37	45.25
June	46.85	47.20	46.70	46.25
July	47.05	47.20	46.40	46.80
Oct	41.20	—	41.20	41.50

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
Sept	162.0	163.0	161.0	161.0
Dec	168.4	170.2	168.0	169.0
March	179.6	181.2	179.2	180.0
May	186.0	187.2	185.4	186.0
July	189.2	190.0	189.0	189.2
Sept	188.6	189.4	188.4	188.8
Dec	191.6	192.0	191.0	191.0

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
August	81.25	81.92	80.70	79.92
Feb	73.20	75.10	73.05	73.87
March	72.22	74.10	72.00	72.80
May	71.12	72.45	70.75	71.10
July	69.10	70.00	69.00	68.50
August	66.90	68.65	66.90	66.52

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
August	503.6	508.0	502.4	504.6
Sept	478.2	482.6	475.4	481.0
Nov	474.6	482.6	474.4	480.6
Jan	484.4	492.4	484.2	489.6
March	494.4	501.4	494.4	500.0
May	502.4	509.0	502.4	507.2
July	509.4	516.4	509.0	514.0
August	507.0	—	—	507.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
August	145.8	146.8	145.8	146.8
Sept	143.1	144.0	142.9	143.3
Oct	141.5	143.0	141.4	141.8
Dec	143.9	145.6	143.7	144.1
Jan	145.1	146.8	145.1	146.0
March	147.0	149.0	147.0	147.9
May	149.3	151.0	149.0	149.0
July	151.0	151.5	150.5	150.5
August	150.7	—	—	150.5

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
August	14.88	15.18	14.88	15.26
Sept	14.99	15.25	14.98	15.38
Oct	15.13	15.40	15.10	15.50
Dec	15.66	15.98	15.65	16.05
Jan	15.72	16.10	15.70	16.16
March	16.15	16.45	16.15	16.55
May	16.37	16.69	16.37	16.79
July	16.70	16.95	16.65	17.10
August	16.51	17.00	16.51	17.00

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Sept	261.6	263.0	260.6	260.6
Dec	262.6	264.0	262.0	262.2
March	260.0	261.6	259.6	259.4
May	246.0	249.0	246.0	247.4
July	238.4	239.4	237.0	239.4

SPOT PRICES—Chicago loose lard 15.50 (same) cents per pound. Handy and Harman silver bullion 519.5 (520.5) cents per troy ounce.

International Sugar Agreement — (US cents per pound fob and stowed Caribbean ports). Prices for August 6: Daily price 6.19 (6.12); 15-day average 5.87 (5.78).

FREIGHT FUTURES

Both markets were quiet, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
Oct.	662/663	665/660	668/670
Jan.	690/692	691/688	692/696
April	733/735	735	738/740
July	680/700	690	680/690
Oct.	770/800	785	765/775
Jan.	750/825	787.5	750/810
Apr.	900	860	900/900
July	825	775	740/810
BFI.	555.0	—	564.5

Turnover: 78 (187).

	Close	High/Low	Prev.
Tankers			
Aug.	1000/1050	1010	1000/1045
Sep.	1000/1050	1010	970/1040
Oct.	1050/1080	1055	1020/1060
Dec.	1100	—	1100
Mar.	1100	—	1100
June	1070/1150	1110/1050	1150
BTI.	1107	—	1115

Turnover: 8 (11).

POTATOES

The market again tested the £215 resistance area, basis April, and again failed to penetrate it on the fifth recent attempt. Despite a Dutch market trading Fl 4 higher, UK sellers emerged to contain the rise, so pushing the arbitrage out to beyond £26.00 at one stage. After the initial activity trade quietened and once Holland had closed London, left to its own devices, lost over £3.00 to close near the day's lows, reports Coley and Harper.

Month	Yesterdays close	Previous close	Business done
	£ per tonne		
Nov	130.70	129.30	132.00-130.00
Feb	140.50	140.30	—
Apr	212.40	211.00	215.00-212.00
May	223.80	223.00	225.00
Nov	86.50	92.50	—

Sales: 1,193 (1,036) lots of 40 tonnes.

Earlies—Aug 90.00, unchanged, 90.00; Sept 95.00, +5.00. Sales: 10 lots of 10 tonnes.

RUBBER

PHYSICALS — The London market opened unchanged, saw little movement and closed neglected, reports Lewis and Peat. Closing prices (buyers): Spot 58.50p (same), Oct 59.00p (same), Sept 59.00p (same). The Kuala Lumpur fob price (Malaysian cents per kilo): RSS No 1 220.0 (same) and SMR 20 186.5 (187.0).

FUTURES—Index 593. Sept 587-592, Oct/Dec 577-580, Jan/March 586-596, April/June 597-606, July/Sept 599-611. Sales: 5.

OIL

Refiners were reluctant to buy crude oil in the present uncertain conditions and trading was confined to speculative dealing in forward Brent and Dubai. Prices were firm during the morning reaching around $14.50 for Brent and $12.50 for Dubai. The volume of trade and prices subsided during the afternoon. Nymex WTI opened 14c up for September and was 33c up at 1.30 pm EDT after morning trade in a 60c range. The petroleum products markets remained uncertain with little traded for prompt delivery. Demand for gasoline was still strong, especially for higher grades — Petroleum Argus, London.

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—August		
Arab Light	—	—
Arab Heavy	—	—
Dubai	12.15-12.55*	+0.90
Brent Blend	15.50-15.70	+0.55
W.T.I. (1pm est)	15.35-15.45*	+0.65
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	170-175	+5
Gas Oil	120-124	+1.5
Heavy fuel oil	55-57	+3.5
Naphtha	112-117	+4.5

* September

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'rday's Close	+ or —	Business Done
	US $ per tonne		
Aug.	125.75	+4.25	128.00-24.50
Sep.	130.75	+5.50	132.50-28.00
Oct.	133.00	+5.75	134.50-30.50
Nov.	134.00	+5.50	135.50-32.25
Dec.	137.00	+6.50	137.00-33.50
Jan.	—	—	—
Feb.	135.00	+1.00	135.50

Turnover: 6,101 (5,228) lots of 100 tonnes.

Exchange co-operation

Mr Jack Lehman, chairman of the Futures Industry Association, said exchanges need to work together by creating common products and common clearing of transactions in order for the industry to effectively compete in today's global marketplace.

Mr Lehman, addressing the Chicago FIA division, said while the US futures industry had a great opportunity to expand business, it also faced ever stronger domestic and international competition from other exchanges.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound at new lows

THE DOLLAR moved steadily lower on persistent, but not very heavy selling, on the foreign exchanges yesterday. There were no new factors, but the market had clearly turned its attention away from the implication of high oil prices, if this week's agreement by members of the Organisation of Petroleum Exporting Countries achieves its aim. Wednesday's remarks by Mr Beryl Sprinkel, chairman of President Reagan's council of economic advisers, about a further weakening of the dollar, continued to weigh on the currency, as the market focused again on the problem of the US trade deficit. The failure in Congress of the protectionist bill on textile and shoe imports to the US, helped set a weak tone for the dollar and there was no sign that Japanese demand at the US Treasury's quarterly refunding auctions had been high enough to lend much support to the currency.

The dollar fell to DM 2.0670 from DM 2.0815, the lowest level since March 20, 1981; to SFr 1.6660 from SFr 1.6770; the weakest since October 23, 1980; to FFr 6.71 from FFr 6.7650; the lowest since January 17, 1983; and finished equal to the record low of Y153.75 from Y154.35.

On Bank of England figures the dollar's index fell to 110.7 from 110.0, the lowest since January 29, 1982.

£ IN NEW YORK

Aug 7	Latest	Prev. close
Spot	$1.4740-1.4750	$1.4815-1.4825
1 month	0.46-0.44 pm	0.46-0.43 pm
3 months	1.20-1.17 pm	1.28-1.25 pm
12 months	4.30-4.20 pm	4.50-4.40 pm

Forward premiums and discounts apply to the US dollar

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3770. July average 1.5089. Exchange rate index fell 0.4 to 70.9, compared with 74.4 six months ago.

Sterling was generally weak yesterday, as the recovery based on this week's Opec agreement proved shortlived. The pound opened weak, but found some stability by mid-morning on rumours of oil production cutbacks by Kuwait and a return to fixed prices by Saudi Arabia. This pushed up North Sea crude prices by about $1 to $14.50 for September delivery, *but as prices* fell back again sterling lost ground, to finish at a record closing low of DM 3.0525, compared with DM 3.08. The pound also fell to FFr 9.9075 from FFr 10.01; to SFr 2.46 from SFr 2.48; and to Y227 from Y228.25. Sterling lost 30 points to the depressed dollar, closing at $1.4760-1.4770.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.0670. July average 2.1521. Exchange rate index 139.0 against 132.1 six months ago.

The D-mark remained very strong in Frankfurt yesterday, gaining ground against a generally depressed dollar. Sterling was also weak. The recent stream of comments by US officials about the inevitability of a continuing decline in the dollar, weighed heavily on the US currency. The Bundesbank did not intervene at the Frankfurt fixing, when the dollar fell to DM 2.0677 from DM 2.0828, the lowest level since March 19 1981. There was also no sign of the central bank on the open market.

JAPANESE YEN — Trading range against the dollar in 1986 is 203.70 to 153.75. July average 158.61. Exchange rate index 218.8 against 185.3 six months ago.

The yen rose against the dollar in Tokyo *as the impact of the* Opec oil agreement earlier this week faded. Fears of heavy intervention by the Bank of Japan checked the dollar' sfall, but buying of the US currency by the central bank was on a small scale. Earl ydemand pushed the dollar up to a high of Y154.40, but it fell back to close at Y153.75, compared with Y154.20 on Wednesday.

POUND SPOT—FORWARD AGAINST POUND

Aug 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4715-1.4795	1.4760-1.4770	0.46-0.43c pm	3.62	1.30-1.25 pm	3.45
Canada	2.0353-2.0481	2.0385-2.0395	0.30-0.21c pm	1.50	0.68-0.54 pm	1.21
Nethlnd.	3.43¾-3.46	3.43½-3.44½	1½-1¼c pm	4.36	3⅞-3⅝ pm	4.36
Belgium	63.05-63.40	63.05-63.15	17-12c pm	2.76	46-37 pm	1.56
Denmark	11.40⅝-11.47⅞	11.43⅞-11.44⅞	1⅞-⅞ore pm	1.25	3⅞-2⅞ pm	1.11
Ireland	1.0825-1.1015	1.0860-1.0870	par-0.15p dis	−0.82	0.05-0.20dis	−0.37
W. Ger.	3.04½-3.08¼	3.04½-3.05¼	1½-1¼pf pm	5.85	4⅛-3⅞ pm	5.32
Portugal	214.39-216.78	214.78-216.38	68-169c dis	−6.27	181-454 dis	−5.90
Spain	196.48-199.44	198.80-199.05	58-106c dis	−4.90	152-213 dis	−3.68
Italy	2087-2109¼	2088½-2089½	par-3lire dis	−0.88	5-8 dis	−1.24
Norway	10.85⅞-10.90⅞	10.87⅞-10.88⅞	3½-4½ore dis	−4.27	12⅞-13⅞ dis	−4.84
France	9.89¾-9.94	9.90½-9.91½	2⅞-2⅝c pm	2.88	6⅞-6⅞ pm	2.62
Sweden	10.21½-10.27½	10.24½-10.25½	⅞-par ore pm	0.37	⅞-par pm	0.17
Japan	226½-227¼	226½-227½	1½-1⅞y pm	5.62	3-2⅞ pm	5.07
Austria	21.41-21.60	21.44-21.50	9½-8½gro pm	4.83	28⅛-23⅞ pm	4.80
Switz.	2.45½-2.47	2.45½-2.46½	1¼-1c pm	5.49	3⅛-3⅛ pm	5.39

Belgian rate is for convertible francs. Financial franc 63.75-63.85. Six-month forward dollar 2.50-2.45c pm. 12-month 4.55-4.45 pm.

Correction for August 5 French Franc close 10.06-10.07.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Aug 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4715-2.4795	1.4760-1.4770	0.46-0.43c pm	3.62	1.30-1.25 pm	3.45
Ireland†	1.3422-1.3470	1.3455-1.3465	0.60-0.20c pm	3.13	1.35-0.90 pm	3.35
Canada	1.3795-1.3820	1.3805-1.3815	0.23-0.28c dis	−2.13	0.74-0.79dis	−2.22
Nethlnd.	2.3200-2.3385	2.3285-2.3295	0.18-0.15c pm	0.85	0.58-0.53 pm	0.95
Belgium	42.70-42.95	42.70-42.80	2-4c dis	−0.75	7-11 dis	0.75
Denmark	7.73½-7.76⅛	7.74⅞-7.75⅛	1.20-1.85ore dis	−2.46	4.25-4.85dis	−2.45
W. Ger.	2.0635-2.0725	2.0665-2.0675	0.36-0.33pf pm	2.00	0.99-0.94 pm	1.87
Portugal	145⅞-146⅛	145⅞-146	80-150c	−9.88	250-430dis	−9.32
Spain	134.45-134.80	134.55-134.65	95-100c dis	−8.24	210-280 dis	−6.98
Italy	1420-1429½	1421½-1421½	5-6lire dis	−4.64	16-17½ dis	−4.71
Norway	7.35½-7.37⅞	7.37⅞-7.37⅞	4.70-5.20ore dis	−8.06	13.25-13.75dis	−7.32
France	6.69⅝-6.72	6.70⅝-6.71⅞	0.25-0.45c dis	−0.71	0.90-1.20dis	−0.61
Sweden	6.93½-6.95⅞	6.94¼-6.94¾	1.80-2.00ore dis	−3.28	5.20-5.60dis	−3.10
Japan	153.50-154.00	153.70-153.80	0.38-0.21y pm	2.32	0.83-0.84 pm	1.73
Austria	14.53-14.62½	14.53½-14.55½	2-1gro pm	1.24	5⅝-3 pm	1.12
Switz.	1.6640-1.6700	1.6660-1.6665	0.35-0.32c pm	1.36	0.90-0.85 pm	2.04

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

Belgian rate is for convertible francs. Financial franc 43.15-43.25.

EXCHANGE CROSS RATES

Aug. 7	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.477	3.053	227.0	9.908	2.460	3.440	2090	2.039	63.10
$	0.677	1.	2.067	153.8	6.710	1.666	2.329	1415.	1.381	42.75
DM	0.328	0.484	1.	74.37	3.245	0.806	1.127	684.6	0.668	20.67
YEN	4.405	6.504	13.45	1000.	43.65	10.84	15.15	9207.	8.982	278.0
F Fr.	1.009	1.490	3.081	229.1	10.	2.483	3.472	2110.	2.058	63.68
S Fr.	0.407	0.600	1.241	92.28	4.027	1.	1.398	849.6	0.829	25.65
H Fl.	0.291	0.429	0.887	65.99	2.880	0.715	1.	610.2	0.593	18.34
Lira	0.478	0.703	1.454	109.1	4.720	1.172	1.639	1000.	0.971	30.06
C $	0.490	0.724	1.497	111.3	4.859	1.206	1.687	1029.	1.	30.95
B Fr.	1.585	2.340	4.838	359.7	15.70	3.899	5.452	3325.	3.231	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

August 7	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Fr. Franc	7-7⅛	7-7¼	7-7½	7-7⅛	7-7⅛	7-7⅛
Italian Lira	11-12	10⅝-11⅝	10⅝-11⅛	10¾-11¼	10⅞-11¼	11-11⅛
B.Fr.(Fin)	6⅞-7⅛	7-7¼	7-7¼	7⅛-7⅜	7⅛-7⅜	7⅛-7⅜
B.Fr.(Con)	6¾-7⅛	6¾-7¼	7-7⅛	7-7⅛	7-7⅛	7-7⅛
Yen	4¾-4⅞	4⅛-4⅞	4¾-4⅛	4¾-4⅛	4⅛-4¾	4⅛-4¾
D. Krone	9-9⅛	9-9⅛	9⅛-9⅞	9⅛-10	9⅛-10	9¾-10¼
Asian $ (Sng)	6⅛-6⅛	6⅛-6⅛	6⅛-6⅛	6⅛-6⅛	6⅛-6⅛	6½-6⅝

Long-term Eurodollars: two years 7-7¼ per cent; three years 7½-7¾ per cent; four years 7¾-8 per cent; five years 8-8¼ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

FINANCIAL FUTURES

US bonds nervous

US TREASURY bonds and long term gilts remained weak on the London International Financial Futures Exchange yesterday. September Treasury bonds opened lower at 95-30, and this was also the closing level and almost the day's peak, as dealers took a dim view of the US Treasury's auctions held so far this week. Tuesday's three-year note sale was not a resounding success, and Wednesday's auction of 10-year notes was very disappointing. Some 70 per cent of the $9.5bn allocated was at the highest accepted yield of 7.48 per cent and Japanese investors were reported to have taken only $1.1bn. The total number of bids of $19.2bn for the 10-year paper was also regarded as disappointing, and combined with the lack of Japanese buying seen so far, was not regarded as a good build up to last night's important auction of $9bn in 30-year bonds. Many traders seemed happy to stay on the sidelines until the auction was out of the way.

Long term gilt futures also weakened, as sterling's recovery on the Opec oil agreement *proved shortlived, and the pound* retreated on the foreign exchanges. The September contract opened at 119.26 and touched a low of 119-15, before closing at 119-24, compared with 120-06 on Wednesday.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
116	3.52	4.59	—	—	0.04	1.19	—	—
118	2.08	3.42	—	—	0.22	2.02	—	—
120	0.55	2.38	—	—	1.07	2.62	—	—
122	0.16	1.50	—	—	2.32	4.10	—	—
124	0.03	1.11	—	—	4.19	5.35	—	—
126	0.00	0.47	—	—	6.16	7.07	—	—
128	0.00	0.28	—	—	8.16	8.52	—	—
130	0.00	0.16	—	—	10.16	10.40	—	—

Estimated volume total, Calls 360, Puts 110
Previous day's open int, Calls 13,086, Puts 4,531

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
88	7.60	8.00	—	—	0.00	0.50	—	—
90	5.61	6.30	—	—	0.01	1.16	—	—
92	4.03	5.06	—	—	0.07	1.56	—	—
94	2.25	3.58	—	—	0.29	2.45	—	—
96	1.10	2.60	—	—	1.14	3.46	—	—
98	0.28	2.09	—	—	2.32	4.59	—	—
100	0.08	1.33	—	—	4.12	6.19	—	—
102	0.02	1.03	—	—	6.06	7.53	—	—

Estimated volume total, Calls 177, Puts 93
Previous day's open int, Calls 1,974, Puts 744

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike price	Calls—Last Aug	Sept	Oct	Dec	Puts—Last Aug	Sept	Oct	Dec
1.30	—	17.54	—	17.64	—	0.00	—	0.40
1.35	12.54	12.54	12.54	12.64	0.00	0.06	0.29	1.05
1.40	7.54	7.54	7.67	8.10	0.01	0.42	1.02	2.30
1.45	2.88	3.68	4.30	5.13	0.45	1.68	2.65	4.33
1.50	0.43	1.37	2.05	2.99	3.02	4.37	5.40	7.19
1.55	0.01	0.37	0.82	1.60	7.60	8.37	9.17	10.80
1.60	0.00	0.07	0.27	0.78	12.59	13.07	13.62	14.98

Estimated volume total, Calls 405, Puts 285
Previous day's open int, Calls 3,734, Puts 5,008

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last Aug	Sept	Oct	Dec	Puts—Last Aug	Sept	Oct	Dec
1.35	—	19.80	—	19.80	—	0.50	—	1.50
1.40	8.10	7.90	8.80	9.20	0.05	0.50	1.10	2.40
1.45	3.20	4.10	4.80	5.70	0.40	1.70	2.70	4.40
1.50	0.45	1.65	2.40	3.45	3.05	4.30	5.30	7.15
1.55	0.10	0.55	1.05	1.90	7.20	8.35	9.05	10.60
1.60	0.05	0.10	—	1.05	12.30	12.25	—	14.70
1.65	0.10	0.20	—	0.70	17.25	17.40	—	18.70

Previous day's open int, Calls 4,613, Puts 2,206
Volume, 401

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last Aug	Sept	Dec	Mar	Puts—Last Aug	Sept	Dec	Mar
1.30	—	17.50	17.50	—	—	—	0.40	—
1.35	—	12.50	12.60	12.75	—	0.05	1.10	2.35
1.40	—	7.70	8.60	10.20	—	0.45	2.25	4.00
1.45	2.85	3.70	5.50	6.40	0.25	1.55	4.00	5.00
1.50	0.35	1.25	3.00	4.10	2.70	3.90	6.80	8.60
1.55	—	0.35	1.60	2.80	7.00	7.60	9.90	11.70
1.60	—	0.15	0.80	1.55	11.90	12.30	14.00	15.50

Previous day's open int, Calls 39,849, Puts 34,775
Previous day's volume, Calls 375, Puts 251

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
92.25	1.28	1.25	1.17	—	0.00	0.01	0.04	—
92.50	1.03	1.02	0.95	—	0.00	0.03	0.07	—
92.75	0.78	0.79	0.75	—	0.00	0.05	0.12	—
93.00	0.53	0.59	0.56	—	0.00	0.10	0.18	—
93.25	0.30	0.41	0.40	—	0.02	0.17	0.27	—
93.50	0.12	0.26	0.27	—	0.09	0.27	0.39	—
93.75	0.02	0.15	0.17	—	0.24	0.41	0.54	—

Previous day's open int, Calls 1,556, Puts 1,846
Estimated volume, Calls 30, Puts 50

CURRENCY MOVEMENTS

August 7	Bank of England Index	Morgan Guaranty Change %
Sterling	70.9	−21.6
U.S. Dollar	110.7	+8.8
Canadian Dollar	77.7	−12.5
Austrian Schilling	130.5	+8.0
Belgian Franc	96.2	−6.7
Danish Kroner	86.4	+0.8
Deutsche Mark	139.0	+17.4
Swiss Franc	167.9	+22.5
Guilder	128.9	+11.7
French Franc	69.8	−13.8
Lira	47.4	−16.3
Yen	218.8	+62.4

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Aug. 7	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.816809	0.691111
US $	6	1.20756	1.01904
Canadian $	8.63	*	1.40679
Austria Sch	4	17.5703	14.8271
Belgian Fr.	8	51.6995	43.6176
Danish Kr.	7	9.35090	7.89249
D'mark	3½	2.49691	2.10687

* CS/SDR rate for August 6: 1.66446

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev
Sept	119-24	119-30	119-15	120-06
Dec	119-20	119-22	119-20	120-01
March	119-13	—	—	119.27
June	119-13	—	—	119-27

Est. Volume 6,721 (6,545)
Previous day's open int. 12,733 (13,054)
Basis quote (clean cash price of 13% Treasury 2004/08 less equivalent price of near futures contract) −4 to 4 (32nds).

10% NOTIONAL SHORT GILT
£10,000 64ths of 100%

	Close	High	Low	Prev
Sept	100-51	100-54	100-48	100-58
Dec	100-51	—	—	100-58
March	100-51	—	—	100-58

Est. Volume 784 (166)
Previous day's open int. 1,040 (1,035)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev
Sept	90.17	90.20	90.15	90.23
Dec	90.44	90.50	90.42	90.51
March	90.42	90.48	90.42	90.51
June	90.32	90.38	90.33	90.38
Sept	90.20	90.28	90.21	90.26

Est. Volume 2,679 (2,216)
Previous day's open int. 14,256 (14,518)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev
Sept	155.40	156.10	154.30	158.55
Dec	158.25	157.50	157.20	159.40
March	160.75	—	—	161.90

Est. Volume 685 (436)
Previous day's open int. 2,565 (2,577)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
Sept	93.53	93.53	93.49	93.54
Dec	93.49	93.50	93.41	93.51
March	93.38	93.40	92.35	93.42
June	93.18	93.20	93.16	93.23
Sept	92.93	92.93	92.93	92.97

Est. Volume 3,915 (2,860)
Previous day's open int. 19,897 (19,504)

US TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev
Sept	95-30	95-31	95-13	96-10
Dec	95-07	95-03	94-30	95-18

Est. Volume 6,388 (3,967)
Previous day's open int. 7,883 (7,940)

CHICAGO

US TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

	Latest	High	Low
Sept	95-30	96-02	95-15
Dec	95-04	95-07	94-20
March	94-06	94-09	93-27
June	93-11	93-13	93-01
Sept	92-20	92-20	92-14
Dec	91-29	91-29	91-20
March	91-07	91-07	90-30
June	—	—	—
Dec	89-22	89-22	89-15
March	—	—	—

US TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low
Sept	94.39	94.41	94.37
Dec	94.44	94.45	94.42
March	94.38	94.40	94.37
June	94.23	94.23	94.22
Sept	93.99	94.00	93.98
Dec	93.76	93.77	93.75
March	93.54	93.55	93.52

CERT DEPOSIT (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Sept	—	—	—	93.89
Dec	—	—	—	93.85
March	—	—	—	93.14

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu August 7	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.6176	+1.17	—	±1.5388
Danish Krone	7.81701	7.89249	+0.97	—	±1.6408
German D-mark	2.11083	2.10687	−0.19	—	±1.1202
French Franc	6.87316	6.84287	−0.44	—	±1.3701
Dutch Guilder	2.37833	2.37417	−0.77	—	±1.5081
Irish Punt	0.764976	0.756809	−1.07	—	±1.6669
Italian Lire	1476.95	1450.35	−1.80	—	±4.0788

Changes are for Ecu, therefore positive change denotes a week currency. Adjustment calculated by Financial Times.

MONEY MARKETS

Rates firm as pound slides

OVERNIGHT interbank finished bid at 20 per cent on the London money market yesterday, after the Bank of England did not supply sufficient assistance to take out the full underlying credit shortage. Otherwise the market was quiet, apart from a slight firming of period rates on the renewed weakness of sterling. Three-month interbank rose to 9⅞-10⅛ per cent from 9⅞-9⅞ per cent.

The Bank of England initially forecast a money market shortage of £900m, but revised this to £950m in the afternoon, and provided total help of £767m, buying bills outright and for resale to the market at the beginning of September, as well as providing some late assistance.

An early round of help was offered, but the discount houses did not seem in any great rush to part with paper, in spite of sterling's renewed slide on the foreign exchanges. In early operations the authorities bought only £10m bills outright by way of ... £44m bank bil slin band 2 at 9⅞ per cent; £5m Treasury bills in band 3 at 9¾ per cent; £8m local authority bills in band 3 at 9¾ per cent; £18m bank bills in band 3 at 9¾ per cent; and £50m Treasury bills in band 4 at 9⅞ per cent. The morning's help was completed by purchases of £219m bills for resale to the market on September 1 at 9⅞ per cent.

Further help of £323m was provided in the afternoon, of which £263m bills were bought outright, by way of £73m local authority bills in band 1 at 9¾ per cente; £30m bank bills in band 1 at 9¾ per cent; £147m bank bills in band 2 at 9⅞ per cent; £6m bank bills in band 3 at 9¾ per cent; and £7m bank bills in band 4 at 9⅞ per cent. Another £60m bills were purchased for resale to the market on September 1 at 9 57/64ths per cent.

Late assistance of £50m was provided.

UK clearing bank base lending rate 10 per cent since May 22

NEW YORK RATES
(Lunchtime)

Prime rate	8
Broker loan rate	7½
Fed funds	6⅞
Fed funds at intervention	6⅞
Treasury Bills & Bonds	
One-month	5.32
Two-month	5.80
Three-month	5.87
Six-month	6.05

FT LONDON INTERBANK FIXING

(11.00 a.m. August 7)

Three months US dollars		Six months US dollars	
bid 6⅛	Offer 6½	bid 6⅛	Offer 6½

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

MONEY RATES

STERLING INDEX

OTHER CURRENCIES

WORLD VALUE OF THE DOLLAR
BANK OF AMERICA NT & SA, ECONOMICS DEPARTMENT, LONDON

Company Notices

THE GRIQUALAND EXPLORATION AND FINANCE COMPANY LIMITED

DECLARATION OF DIVIDEND

THE COUNCIL OF EUROPE RESETTLEMENT FUND FOR NATIONAL REFUGEES AND OVER-POPULATION IN EUROPE

THE BRAZIL FUND S.A.

ROWNTREE MACKINTOSH plc

Personal

YOU CAN HELP OUR OPERATION BE A SUCCESS.

THE SURGICAL RESEARCH FUND

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1986 High	1986 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
102⅛	100½	Exch. 14pc 1986	100¼	−⅛	13.90	10.07
98¾	94⅞	Exch. 2½pc 1986	98¾	+ 1/16	2.54	6.86
102 15/16	100⅝	Exch. 13¼pc 1987	101 13/16	− 1/16	13.07	9.86
100⅞	97 1/16	Treas 10½pcCv '87	100 1/32xd	− 1/16	10.23	9.72
97⅝	92 13/16	Exch 2½pc 1987	97⅝xd	....	2.56	6.99
101⅛	97⅛	Exch. 10½pc 1987	100⅜	....	10.46	9.81
98⅝	93⅝	Funding 6½pc '85-87‡‡	98¼	−⅛	6.62	8.97
101⅛	96 13/16	Treas. 10pc 1987	100 3/16	....	9.98	9.70
97 1/16	90⅞	Treas 3pc 1987	96⅛	....	3.11	7.08
104⅛	99⅛	Treas. 12pc 1987	102 7/16	....	11.72	9.76
99 1/16	92 13/16	Treas 7¾pc 1985-88‡‡	98	−⅛	7.91	9.20
104	96¼	Exch 10½pc '88	101 3/16	− 1/16	10.38	9.71
102⅝	95⅛	Treas 9¾pc Cv '88	100⅛	....	9.74	9.65
94¼	86⅝	Transport 3pc '78-88	92⅞	− 1/16	3.23	7.07
102⅞	93 13/16	Treas. 9½pc '88	99 11/16	− 1/16	9.53	9.63
107 3/16	98 3/16	Treas 11½pc 1989	104⅛xd	− 1/16	11.05	9.62
103⅞	93⅛	Treas 9½pc Cnv. '89	99⅝	− 1/16	9.53	9.58
92⅛	82 3/16	Treas 3pc 1989	89 3/16	− 1/16	3.35	7.22
105 1/16	95 3/16	Treas 10½pc 1989	102⅛	−⅛	10.29	9.66
104 3/16	94⅛	Exch.10pc 1989	100 13/16	−⅛	9.91	9.63
107 1/16	97	Exch 11pc 1989	103 1/16	−⅛	10.63	9.62
93 1/16	84½	Treas 5pc 1986-89	91⅛	−⅛	5.48	8.11
110 1/16	94⅝	Exch 10½pcCv '89	105 1/16	−⅛	9.75	8.37
114 1/16	103 3/16	Treas 13pc 1990‡‡	110⅛	−⅛	11.81	9.45
108⅛	97⅛	Exch 11pc 1990‡‡	104⅜xd	−⅛	10.54	9.49
113⅛	101 13/16	Exch. 12½pc 1990	108¾	−⅛	11.50	9.57
89¼	79⅝	Treas. 3pc 1990	86½	....	3.47	7.16
100 3/16	89⅛	Treas 8¼pc 1987-90‡‡	97 1/16	− 1/16	8.47	9.04
106 1/16	93	Treas 10pcCv 1990	101 11/16	−⅛	9.84	9.48
86 1/16	76½	Exch 2½pc 1990	83⅝	....	2.99	6.97
112 1/16	99 1/16	Treas 11¾pc 1991	107⅞	−⅛	10.90	9.50
94¼	83 1/16	Funding 5¾pc '87-91‡‡	91 1/16	− 1/16	6.29	7.98
86⅛	83½	Treas. 3pc 1991●	83¼	..	3.59	7.08

Five to Fifteen Years

1986 High	1986 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
110⅝	96 1/16	Exch 11pc 1991	106	−⅛	10.38	9.50
118⅛	103⅝	Treas 12¾pc 1992‡‡	113	−⅛	11.28	9.62

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

هكذا من الأصل

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

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Finance, Land, etc

FINANCE, LAND—Cont.

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MINES

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MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited
- ♥ Not officially UK listed, dealings permitted under Rule 535(4)(a)
- ♣ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ¤ Price at time of suspension.
- ¶ *Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.*
- ♦ Merger bid or reorganisation in progress.
- § Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend: cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¶ No par value.

B Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1985. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	60	....	Fin 13% 97/02	£114¾	....
Craig & Rose £1	900	....	Arnotts	315	..
Finlay Pkg. 5p	42	....	CPI Hldgs	45	....
Holt (Jos) 25p	805	....	Carroll Inds	150	....
Toll Stm. £1	86	....	Dublin Gas	30	....
			Hall (R. & H.)	70	....
IRISH			Heiton Hldgs.	29	−½
Fund 11¾% 1988	£100¼	....	Irish Ropes	95	....
Nat. 9¾% 84/89	£98½	....	Unidare	210	....

"Recent Issues" and "Rights" Page 23
(International Edition Page 17)

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
July 28	Aug 7	Aug 8	Aug 18
Aug 11	Aug 28	Aug 29	Sept 8
Sept 1	Sept 11	Sept 12	Sept 22

* "New-time" dealings may take place from 9.30 am two business days earlier.

Steep fall reversed late but equity index closes another 12.2 down

Share prices dived again and the gloom deepened when disappointing trade statements from leading manufacturing and financial groups aroused fresh fears about UK corporate profitability. The effects of GKN's dismal view of future prospects were still apparent when equity market business commenced and the situation soon deteriorated. *Another engineering company,* **TI Group** produced poor first-half results and banking giant **Barclays** announced mid-term profits which, although higher than the corresponding period of the previous year, were some way below analysts' estimates.

Fresh bouts of nervous selling developed and before noon the FT indices were in full retreat and over 20 points down. Buyers were almost non-existent and the tone weakened further on reports that Opec, despite the recent agreement, was still a long way from finding a permanent solution to the oil market's problems. The UK economic outlook also came under scrutiny following a forecast by a group of Oxford dons that Britain would run into a trade deficit of sizeable *proportions next year.*

More palatable profit figures from industry leaders such as **Shell Transport** and **BOC** failed to restore investment confidence. Jobbers were overburdened with stock after being forced to add to already adequate book positions and the market looked set to exceed Wednesday's heavy fall. However, a limited recovery was set in motion by professional bear-covering and sporadic "new-time" interest for the new three-week trading Account starting on Monday. Shortly afterwards some institutions began to take larger amounts of stock from the market and the tone improved quickly.

A bright Wall Street opening yesterday further encouraged traders and the FT Ordinary share index reduced a fall of 22.8 to close 12.2 down on balance at 1221.5. The FT-SE 100 share index ended 10.5 lower at 1529.9, after 1519.2.

Lower opening prices for conventional Gilt-edged stocks provided no incentive for prospective buyers and the sector subsequently lost more ground. The latest weakness in the *exchange rate index was* an inhibiting influence but dealers were able to effect some two-way business at the lower levels. After attempting several rallying movements, the longs eventually reverted to the early levels to close ½ down on their overnight positions. Index-linked Gilts benefited from revived hedging against equity market commit*ments* and the *longest-dated* issue gained 1½ points to 95⅝. Other gains stretched to a point.

Barclays disappoints

Barclays brought the clearing bank dividend season to a disappointing close. The meagre 7.7 per cent interim profits increase to £434m—brokers' forecasts had ranged as high as £480m—induced immediate selling of the shares which dropped swiftly to 450p before ending the session a net 20 lower at 455p. NatWest, which had touched 522p during the current Account following its better-than-expected 33.5 per cent half-year increase to £482m, reacted in sympathy to finish 12 lower at 490p, after 485p. **Midland** softened 5 at 543p, after *540p,* and **Lloyds** cheapened a couple of pence at 385p, after 380p. Elsewhere, **Kleinwort Benson** rose 10 more to 750p on further consideration of the bumper first-half profits and proposed 50 per cent scrip issue.

Composites continued to give ground at the outset on fears of claims arising from the floods in Sydney, Australia. However, a rally developed later as buyers appeared at the lower levels and **GRE** recovered smartly from an initial level of 805p to finish 6 better on balance at 818p.

Electronics group **F & H** made a quiet debut; the shares opened at the offer price of 134p and edged up to 136p.

Breweries, relatively resilient to the widespread shake-out on Wednesday, reacted on nervous offerings as investors adopted a gloomy short-term view of the impending Monopolies Commission probe into the "tied" house system. Dealers reported occasional "cheap" buying, however, which lifted the leaders above the day's lowest levels. **Allied-Lyons,** fell 3 to 312p, after 308p, while **Bass** *settled only 5 cheaper on balance* after 725p. Regionals turned dull in sympathy. Recent speculative favourites **J. A. Devenish,** 215p, and **Greene King,** 210p, fell 5 and 8 respectively.

Leading Building made another dull showing. **Blue Circle** came under selling pressure and dipped to 545p prior to closing a net 16 down at 550p, as the company blamed the increasing threat of cheap foreign cement imports for its decision to cut its workforce by around 300. **Rugby Portland** showed a sympathetic fall of 3 at 144p. Among Construction issues, **John Laing** fell 8 to 416p, as did **John Mowlem,** to 378p. **AMEC** were particularly dull at 262p, down 6 and **Alfred McAlpine** shed 7 to 418p. Speculative counter **Raine Industries** fell away to 60p before staging a seful rally to close only a couple of pence cheaper at 66p, but **Derek Crouch** lost 11 to 152p and **Ben Bailey** came back 3 to 27p.

ICI were a steady market on dividend considerations and closed a shade better on balance at 982p. Among other Chemicals, profit-taking in the wake of the interim results left **Yorkshire** 6 down at 140p, while slightly disappointing half-year figures and a cautious statement clipped 7 from **Hickson International** at 398p. **Brent** were on offer at 134p, down 4, while **British Benzol** shed 3 to 69p. Contract news failed to sustain **Morceau,** 2 cheaper at 273p, but a Press mention stimulated further interest in **Horace Cory** which added a penny to 20p. **Thurgar Bardex** firmed 3 to 61p and recent takeover favourite **Reabrook** hardened the same amount to 86p.

Lincroft Kilgour provided an isolated firm feature in Stores, rising 7 to 232p on the announcement that Priest Marians, which is currently involved in bid discussions with LK, had increased *its* stake in the company to just under 30 per cent. Elsewhere, sellers held sway. **Allebone** gave up 5 at 47p, **Ratners** declined 6 at 183p, **Goldsmiths** retreated 8 at 186p and **Storehouse** relinquished 7 at 320p.

Engineers sold

Engineers sustained further widespread falls as this area of the market continued to digest the poor interim statement from **GKN** which came under further selling pressure and touched 272p before rallying to close 12 down on the day at 278p for a two-day fall of 70. Sentiment was also disturbed by disappointing interim figures from **TI,** 33 lower at 463p, after 460p. **Evered,** which has a sizable stake in TI, fell 14 to 202p. **APV** dipped 23 more to 553p, while **Babcock** fell 9 to 171p and **Delta** 7 to 167p. **ML Holdings** lost 12 to 390p and **Wm. Cook** were a similar amount lower at 210p. Resisting the trend, speculative activity left **C. and W. Walker** 5 to the good at 61p.

Most of the Electrical leaders finished the session a few pence above the worst. **GEC** ended 4 off at 186p and **Plessey** a similar amount lower at 194p, after 192p. Elsewhere, **Apricot Computer** came to life with a rise of 7 to 50p following the chairman's forecast at the annual meeting of a return to profitability in the first half of the current year. **Oceonics,** in contrast, eased afresh to 13p on the bigger annual losses before rallying to close a penny lower on the day at 16p.

The Food majors encountered some fairly persistent selling and fell away steadily before staging a *minor* rally in the late dealings. **Rowntree Mackintosh** were quoted ex rights and settled a *net* 4 off at *370p*, after 365p; the new nil paid shares opened at 25p premium and dipped to 15p premium before picking up to close at 22p premium. Elsewhere, **ASDA-MFI** were on offer and reacted to year's low of 128p prior to closing an et 4 down at 130p. **J. Sainsbury** shed 6 to 364p and **Dee Corporation** eased 3 to 240p. **Unigate** were finally 5 down at 275p and **Ranks Hovis McDougall** shed 3 to 232p following a *broker's lunch.* Against the trend, **Sidney Banks** firmed 12 for a two-day gain of 32 to 340p in response to good annual results.

Hotels generally closed above the day's lowest levels. **Grand Metropolitan** closed 5 lower at 375p, but **Trusthouse Forte,** after easing to a 1986 low of 143p, picked up to close unchanged at *145p.*

BOC feature

BOC provided the only bright spot in the miscellaneous industrial leaders, rising 8 to 315p in response to the better-than-expected third quarter figures. Still overshadowed by 184.2m share placing to fund the acqui*sition of Flint Laboratories of* the US. **Boots** came under fresh early selling pressure, but subsequently rallied to close only 2 off on balance at 211p. **Beecham** settled a few pence above the worst at 381p, down 5, after 378p, while **BTR** finished a similar amount lower at 280p. Elsewhere, **English China Clays** met selling and gave up 11 to 320p along with **Valor** which dipped 15 to 235p. **London and Midland** eased 8 to 188p on the warning at the annual meeting of disappointing first quarter results from Schnitzer Alloy Products. **Parkfield** fell 35 to 485p in a limited market, while **Williams Holdings** gave up 15 to 610p and **Morgan Crucible** 10 to 258p. Suggestions of a possible bid from GEC coupled with traded option influences, however, left **British Aerospace** 13 to the good at 491p. **Relyon** hardened a few pence to 163p in response to the interim figures.

Among Leisure issues, recently-firm **WSL** encountered profit-taking in the wake of the acquisition of Pilgrim-Air for £4.7m and settled 10 lower at 190p. **International Leisure** shed 4 to 113p following confirmation of the placing late on Wednesday of 3.875m shares at 112p per share, which reduces the beneficial interests of the chairman and two directors to 23.9 per cent of the equity.

News that Turner and Newall's unwelcome bid had been extended to August 21 and AE's further rejection left the latter's shares a few pence lower at 207p; "Turners" lost 7 at 178p. Elsewhere in Motors, **Lucas** softened a few pence more at 513p, after 507p, and **Dowty** gave up 6 at 208p.

Good Relations reflected fading takeover hopes with a fall of 12 at 33p, while other perennial bid favourite **DRG** lost 8 at 256p. **Jefferson Smurfit** succumbed to end-Account profit-taking and lost 6 at 231p, while **Valin Pollen** relinquished 10 at 130p. **Saatchi** recovered from an initial dull level of 630p to finish 10 better on balance at 650p. **Brunning** cheapened 2 to 168p following the annual results.

The Property leaders gave another resilient performance, but several secondary issues lost ground. **Rosehaugh** were particularly dull and settled 45 lower at 575p, while falls of 10 were seen in **Daejan,** 635p, **Warner Estate,** 870p, and **Speyhawk,** 360p. **Arlington Securities** gave up 9 to 163p and **Hanover Druce** shed 7 to 238p, while **Grosvenor Square** lost 3 to 85p the last-named following poor annual results. Moving sharply against the trend, **United Real** jumped to 950p prior to closing a net 70 higher at 950p following details of an agreed bid worth some 975p per share from **Mountleigh,** 40 lower at 960p, after 940p. Demand in a thin market lifted **Clarke Nickolls** 7 to 156p.

A volatile market recently, **Amalgamated Financial** jumped to 36p before closing 6 higher on balance at 32p following the announcement that publicly quoted Australian investment banking and financial group, HDFI, is to acquire a 23.53 per cent stake in the company.

A firm market of late on Rothschild stake speculation and the announcement that Mr John Gunn is to join the stockjobbing concern next month as a non executive director, **Smith New Court** succumbed to end-Account offerings and closed 8 lower at 167p.

Oils steadier

A recently volatile oil sector gave a steadier performance yesterday. Satisfactory half-year figures from **Shell** helped underpin the sector in the wake of Wednesday's doubts about the OPEC agreement. An ominous warning from the Kuwait oil minister about production levels being set too low by OPEC went by the board and the leaders fluctuated narrowly around overnight levels before settling a shade easier for choice. **BP,** down 20 on Wednesday following reports of a sizeable share placing, softened a couple of pence to 588p. **Shell** were finally unchanged at 833p following the interim statement.

Dull conditions prevailed in Textiles. **Courtaulds** lost 7 at 255p and **Allied** dropped 15 at 280p. **Dawson** relinquished 6 at 238p, while the liquidation of speculative positions left **Lamont** 8 off at 154p.

Noteworthy movements in mining markets were usually concentrated among Australians. Overseas support for Sydney and Melbourne markets mainly reflected the steady Australian dollar and renewed confidence over the Federal government's attempts to reduce the budget deficit—Treasurer Mr Paul Keating will announce his proposals next Tuesday—was mirrored in London and consequently most issues finished at or around thesess ion's best levels.

THhe continued strength of bullion, finally $1.5 up at $362.5 an ounce, directed fresh attention to "down-under" Golds. **Central Norseman** and **Gold Mines of Kalgoorlie** advanced 10 and 15 respectively to the common level of 418p, while **Poseidon** hardened a few pence to 119p. Smaller explorers showed **Pancontinental** 7 to the good at 97p, while **Whim Creek,** recently in receipt of a broker's investment recommendation, put on 5 at 123p.

Thin and sensitive trading was again the order of the day among South African Golds. Concern over the current tense political situation in the Republic continued to inhibit investment interest and operators in London and New York displayed little inclination to risk fresh exposure to the Cape. As on Wednesday, currency considerations resulted in modest gains among top-quality stocks. Fractional rises were recorded in **Vaal Reefs,** £33⅝, **Southvaal,** £16½, and **Randfontein,** £40⅞. The FT Gold Mines index rose a point to 194.3.

Despite the renewed strength of Platinum—the metal was fixed some $11 higher at $548 an ounce—leading producers were narrowly mixed. **Impala** hardened 10 to 615p, but **Rustenburg** dipped that much to 590p.

Traded Options

Dealers again expressed satisfaction over business in Traded Options. For the second successive session, operators displayed enthusiasm throughout the list and total contracts transacted amounted to 21,543. Boots, still lively in the wake of the vendor placing, recorded 1,190 calls and 3,581 puts.

FINANCIAL TIMES STOCK INDICES

	Aug 7	Aug 6	Aug 5	Aug 4	Aug 1	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	88.86	89.02	89.21	88.65	88.90	83.41	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.76	95.87	96.12	95.85	95.97	88.47	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,221.5	1,233.7	1,260.8	1,261.5	1,273.4	958.0	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	194.3	193.3	193.1	196.5	196.0	338.3	357.0 (27/1)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.50	4.46	4.35	4.37	4.33	4.88				
Earnings Yld.% (full)	10.91	10.81	10.58	10.63	10.53	12.04				
P/E Ratio (net) (*)	11.18	11.28	11.53	11.47	11.56	10.25				
Total Bargains (Est.)	18,787	22,439	21,683	20,770	19,101	18,923				
Equity Turnover £m.	—	486.33	596.12	456.05	538.34	366.80				
Equity Bargains	—	19,454	20,707	17,830	15,902	15,986				
Shares Traded (ml).	—	225.3	266.8	234.4	182.2	201.2				

S.E. ACTIVITY

Indices	Aug. 6	Aug. 5
Gilt Edged Bargains	109.2	135.4
Equity Bargains	226.0	234.2
Equity Value	983.0	1204.9
5-Day Average		
Gilt Edged Bargains	113.1	112.3
Equity Bargains	219.4	119.5
Equity Value	958.2	975.5

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1232.1	1226.8	1215.4	1211.3	1213.0	1214.9	1217.7	1218.7

Day's High 1232.6. Day's Low 1210.9.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=10.81.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Thursday August 7 1986 — Weds August 6 — Tues Aug 5 — Mon Aug 4 — Year ago (approx.)

[illegible]

FIXED INTEREST

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declarations	For Settlement
Aug 4	Aug 15	Nov 6	Nov 17
Aug 18	Sept 5	Nov 20	Dec 1
Sept 8	Sept 19	Dec 4	Dec 15

For rate indications see end of Unit Trust Service

Stocks favoured for the call included Raine Industries, Hyman, Kwik-Fit, Britoil, Barclays Bank, Polly Peck, Neepsend, Parkdale, Tranwood, Metals Exploration, Thurgar Bardex, Amstrad, British Telecom, STC, Rockware, Barrow Hepburn and Bristol Oil and Minerals. Puts were done in Parkland and Smith New Court. No doubles were reported.

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of changes	Wed. close	Day's change	Stock	No. of changes	Wed. close	Day's change
GKN	54	290	−50	Lucas Inds.	14	516	−14
B.P.	20	590	−20	Hawker Sidd.	13	486	−26
Beecham	18	386	−12	Royal Ins.	13	804	−20
Boots	18	213xr	−11	Shell Trans.	13	833	−10
Plessey	15	198	−8	GEC	12	190	−8
Britoil	14	116	−5	Glynwed Int'l.	12	300	−6

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change	Stock	Closing price	Day's change
AE	207	−3	Dawson Internatnl.	238	−6
Barclays	455	−20	GKN	278	−12
British Aerospace	491	+13	Lucas Industries	513	−3
BP	588	−2	Raine Industries	66	−2
Coats Viyella	472	−6	Shell Transport	833	—
Commercial Union	292	—	Yorkshire Chemicals	140	−6

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	13	94	18
Corporations, Dominion and Foreign Bonds	[illegible]	[illegible]	[illegible]
Industrials	143	652	718
Financial and Properties	78	221	480
Oils	19	39	61
Plantations	[illegible]	[illegible]	[illegible]
Mines	62	22	101
Others	[illegible]	[illegible]	[illegible]
Totals	407	1,119	1,306

LONDON TRADED OPTIONS

[illegible]

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (50)

[illegible]

NEW LOWS (57)

[illegible]

BASE LENDING RATES

[illegible]

WORLD STOCK MARKETS

CANADA

TORONTO

Closing prices August 7

MONTREAL

Closing prices August 7

Indices

** Saturday August 2: Japan Nikkei 17,284.8. TSE 1,406.97.

Base value of all indices are 100 except Brussels SE—1,000: JSE Gold—255.7. JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports, c Closed. u Unavailable.

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued from Page 27

Anglo-Alpha sales drop

BY JIM JONES IN JOHANNESBURG

ANGLO-ALPHA, one of South Africa's three cement manufacturers, suffered lower cement and crushed stone sales during the first half of the year. However, the first half's turnover and operating profit increased as a result of cement price increases.

The first half's turnover rose to R161m (S61m) from R155m last year, the interim operating profit before tax and finance charges increased to R37.5m from R36.7m and the interim pre-tax profit dropped to R22.8m from R25.2m. In 1985 turnover was R326m, the operating profit was R80.9m and the pre-tax profit was R44.7m.

The first half's earnings dropped to 62.9 cents a share from 68.0 cents, and the interim dividend has been maintained unchanged at 22 cents. Last year earnings totalled 123.8 cents a share, and a total dividend of 52 cents was declared. Anglo-Alpha is 30.9 per cent owned by Holderbank Financiere Glaris, the Swiss holding company.

The improvement in demand for packaging products which started late last year gathering momentum this year and led to sharp improvements in the turnover and profits of Kohler, the South African packaging company.

The first half's turnover rose to R217m from R176m, and the interim operating income before tax and finance costs advanced to R13.5m from R3.7m. Last year's interim pre-tax loss of R18.5m was converted into an interim profit of R7.6m this year. In 1985 turnover was R362m, the operating profit was R11.0m and there was a pre-tax loss of R13.0m.

Mr Ian Willis, chief executive, said that turnover rose between 5 per cent and 7 per cent in real terms, helped by a recovery in demand from some agricultural sectors and restocking by retailers. Mr Willis added that the market remained competitive and that there had been very little improvement in consumer confidence and spending.

Legal Notices

IN THE MATTER OF
STEVIN ROADS MIDDLE EAST LTD
AND IN THE MATTER OF
THE CYPRUS COMPANIES LAW
CAP 113

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 31 day of August, 1986, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their Solicitors (if any), to the undersigned Mr Antony Hajiroussos, FCCA, of Julia House, 3 Themistocles Dervis Street, P.O. Box 1612, Nicosia, Cyprus, the Liquidator of the said Company, and if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 11 day of August, 1986.
A. HAJIROUSSOS, FCCA,
Liquidator.

No. 003973 of 1986
IN THE HIGH COURT OF JUSTICE
Chancery Division
IN THE MATTER OF
AGB RESEARCH PLC
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 28th July 1986 confirming the cancellation of the Share Premium Account of the above named Company was registered by the Registrar of Companies on 1st August 1986.

Dated this 4th day of August 1986.

HOBSON AUDLEY & CO.
7 Pilgrim Street
London EC4V 6DR
Ref: CLW
Solicitors for the above named company

Company Notice

BANQUE NATIONALE DE PARIS
US$400,000,000 Floating Rate Notes 1984 due 1995

The rate of interest applicable to the interest period from August 6 1986 to February 6 1987 as determined by the Reference Agent is $5\frac{11}{16}$ per cent per annum namely US$341.80555 per bond of US$10,000.

COMPAGNIE GENERALE DES ETABLISSEMENTS MICHELIN
MICHELIN ET CIE
FF 500.000.000
$7\frac{1}{4}$% CONVERTIBLE BONDS DUE 2000

NOTICE TO BONDHOLDERS

Further to the notice published by the company in April 1986, Michelin is taking steps to proceed in the near future to the announced distribution of a bonus 'B' share for eight 'A' or 'B' shares.
As a consequence, the right to convert the above mentioned bonds will be suspended from August 25 through September 29 inclusively.

LONDON Chief price changes (in pence unless otherwise indicated)

RISES		
Tr 2% IL '20	£95¾	+£1¼
Amal Fin Invs	32	+6
Apricot Comput	50	+7
BOC	315	+8
Banks (Sidney C)	340	+12
Brit. Aerospace	490	+13
Geevor Tin	29	+4
G M Kalgoorlie	418	+15
Lincroft Kilgour	232	+7
Pancontal Mng	97	+7
United Real Prop	950	+70

FALLS		
Tr 8½ '07 (£25pd)	£23¾	−£½
Barclays	455	−20
Blue Circle	550	−16
Courtaulds	255	−7
Eng China Clays	320	−11
Evered	202	−14
GKN	278	−12
Good Relations	88	−12
Hawker Siddeley	481	−10
Hickson Intl	398	−7
Intl Leisure	113	−4
Laing (J)	416	−8
ML Holdings	390	−12
Mountleigh	960	−40
Natwest Bank	490	−12
TI	463	−33
Vickers	390	−11
WSL	190	−10
Yorkshire Chems	140	−6

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	13½	AAR s	.44	2.1	17	229	21¼	21	21	-¼
30	21¾	ADT	.92	3.8		165	24	23⅞	24	+⅛
33	11½	AFG s	.08	.3	16	217	29⅜	28½	29¼	+⅜
25⅞	13½	AGS			12	72	17¼	17	17¼	
15	9⅞	AMCA			263	19	10⅝	10⅝	10½	
50⅝	37½	AMR			13	5509	51⅛	49⅞	50⅞	+⅞
27½	23¼	ANR pf 2.67		10		5	26	26	26	
16¾	10½	ARX	.71t	7.0	9	236	10½	d10	10⅛	
45½	29¾	ASA	2a	6.3		449	31½	31⅛	31½	+⅛
18⅞	9¾	AVX	.32	3.2		694	10	9¾	9⅞	
32	22⅞	AZP	2.72	9.2	8	1131	29½	28¾	29½	+1¼
55	26⅜	AbtLb s .84		1.6	24	1894	52¼	51½	51¾	-½
32	19⅝	AccoWd .56		2.2	49	366	26¼	25⅝	25⅞	-⅜
16¼	9⅛	AcmeC .40		4.3		182	9⅜	9¼	9⅜	+⅛
9¼	7	AcmeE .32b		4.3	18	3	7½	7½	7½	-⅛
21	17	AdaEx 1.90e		9.2		54	20⅞	20⅝	20¾	+⅛
33¾	16	AdmMl .40		1.4	13	82	29⅞	29⅝	29⅝	-⅜
20⅜	11⅛	AdvSys .83r		5.4	14	179	15¾	15½	15½	-¼
32⅞	14⅛	AMD				3682	15½	14⅝	15	+⅜
12⅝	5⅝	Adobe n				24	7⅛	7	7	-⅛
18⅞	13¾	Adob pf 1.84		12		12	14⅞	14⅞	14⅞	-¼
20¼	15¼	Adob pf 2.40		14		24	17¾	17⅝	17¾	+⅛
18⅝	7⅞	Advest .12a		.9	11	434	15	14¼	14⅞	+¾
56¼	42¼	AetnLf 2.64		4.4	10	2246	59¼	58⅞	59⅝	+½
57½	51½	AetL pf 4.28e		8.1		3	52¾	52¾	52¾	-¼
28¾	9¾	Ahmns s .46		1.8	8	4924	25¼	24½	24⅞	-⅜
5¾	2½	Aileen			95	24	4⅜	4¼	4¼	
41⅝	25¾	AirPrd s .80		2.6	56	960	31⅝	30⅞	31	-½
27¾	16	AirbFrt .60		3.4	15	273	17⅝	17¼	17⅝	+⅛

Continued on Page 27

NYSE COMPOSITE CLOSING PRICES

Continued from Page 26

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
72¼	45¾	Xerox	3	5.7	16	1665	53	52	52½	+⅜
58¼	53½	Xerox pf5.45		9.6		245	56⅞	56⅝	56⅝	
28¾	20⅝	XTRA	.64	2.8		238	23½	22¾	23	−½
17⅝	13½	Yorkin n				494	15¾	15	15¼	−⅛
39	26¼	ZaleCp	1.40	4.0		84	35	34⅝	35	+½
9⅞	3½	Zapata	.03j			259	4	3⅞	3⅞	−¼
43⅞	23⅞	Zayre s	.32	1.1	17	1384	529	27	25½	+1⅝
29⅞	16¼	ZenithE				1625	23⅞	23	23⅝	+½
18¼	8⅝	ZenLb s			27	1384	10½	9¾	10⅜	+⅝
22⅞	14½	Zero s	.29	1.9	15	48	14⅞	14⅝	14⅞	−⅛
45¾	32¾	Zurnin	1.32	3.5	14	81	38¼	38	38	−¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 25

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET
Attention on transport, blue chips

CONCERN over the Treasury refunding operation resurfaced on Wall Street yesterday as a rally in the stock market ran out of steam in late trading, *writes Paul Hannon in New York.*

Strong gains were registered among blue chips and transport stocks, but the Dow Jones industrial average, which had shown an early rise of nearly 13 points, finished only 6.75 higher at 1,786.28 in volume of 122m shares. The transportation average scored a more impressive 7.37 advance to 716.75.

The bond market was transfixed by the final tranche of the refunding operation, with key issues oscillating with gains and losses of up to ¼ point. The average yield on the Treasury's reopened 30-year bond issue was set at 7.63 per cent.

Among blue chips IBM moved ex-dividend and jumped $1 to $131 while Exxon, also ex-dividend, lost $⅜ at $62¾. American Can scored a $3 gain to $85¾, and McDonald's, which has lost heavily in recent sessions, regained $1⅜ to $62.

Owens Corning Fiberglas gained a further $2½ to $77 in response to the unsolicited bid from Wickes, the building products group, which slipped $¼ to $5½ in trading on the American Stock Exchange.

BankAmerica advanced $¼ to $13½ on its denials of an impending takeover.

The oil sector was mixed in the wake of the Opec accord on production. Mobil was one of the most active oil issues with its $⅛ drop to $32⅞ while Chevron closed up $⅜ at $40⅛. Texaco managed modest progress with its $½ rise to $30⅞, and Pennzoil added $⅛ to $53⅜.

Other features included the Standard Oil gain of $1⅛ to $44¾ on further speculation that it was preparing a bid for Transco, the gas pipeline group, which added a further $1 to $45.

Panhandle Eastern, the natural gas pipeline operator, was actively traded $¾ higher to $42.

Petro-Lewis, the troubled oil group, slipped $⅛ to $⅝ after announcing that it might face bankruptcy if the proposed Freeport McMoran takeover is not completed. Freeport firmed $⅞ to $17⅞.

Halliburton, the oil services and plant engineer, closed unchanged at $18¾ despite its huge second-quarter loss.

A firmer airline sector, which helped boost the Dow transportation average, included gains for UAL, the largest domestic carrier, up $¾ to $50½, while TWA FIRMED $¼ at $16½, and Eastern Air Lines, added $⅛ to $8¾. Pan Am held steady at $5⅝.

Steels turned mixed as USX, the largest steel producer, dropped $½ to $17⅛ as prospects of a settlement to the strike diminished. Inland scored a $1⅛ jump to $18⅝ while Bethlehem Steel picked up $⅜ to $8¼. LTV, which announced that it was mothballing a fourth steel mill, reversed an early fall of $⅛ to trade $⅛ higher at $2⅜.

General Motors led the Detroit motor stocks higher with its $⅛ gain to $71¼ followed closely by Ford with a $¼ advance to $54⅜. Chrysler, at $37⅛, was $¼ ahead, and American Motors at $2⅞ was $¼ down.

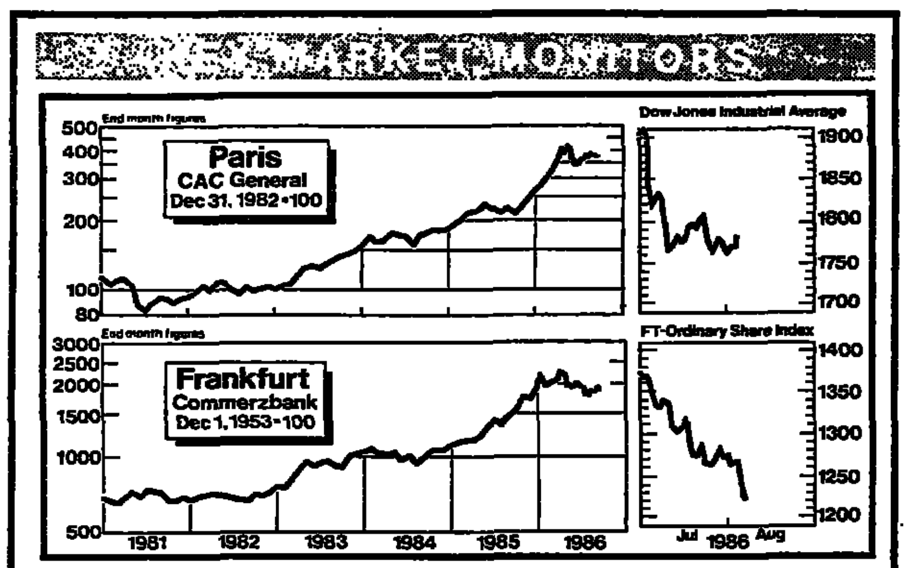
Banks were generally weak, with Chase Manhattan $⅞ off at $39⅛ and Citicorp dropping $¾ to $53⅛.

The stores sector released broadly higher sales figures for July, and Sears managed one of the best gains with its $⅜ rise to $42⅞ while Dayton Hudson gave up an early $⅛ to trade unchanged at $43⅛.

Hershey Foods, the chocolate-to-restaurant group, added a further $3¼ to $83½, a gain of $7¼ so far this week.

The bond market staged a late afternoon rally ahead of the final refunding operation by the Treasury. The key long bond, the 7¼ per cent due 2016, reversed early losses of ⅜ point to gain 16/32 at 96 17/32 to yield 7.53 per cent. The 7¼ due in 1996 traded at 99 17/32 to yield 7.42 per cent. Federal funds opened at 6¼ but later shifted to 6 5/16 per cent.

Rates on Treasury bills turned mixed in the afternoon, with the three-month bill one basis point higher at 5.74 per cent and the six-month bill one basis point up at 5.80 per cent. The one-year bill, unchanged in early trading, lost one basis point to 5.85 per cent.



STOCK MARKET INDICES

	August 7	Previous	Year ago
NEW YORK			
DJ Industrials	1,786.28	1,779.29	1,325.04
DJ Transport	716.75	708.88	678.49
DJ Utilities	204.38	203.45	153.11
S&P Composite	237.04	236.91	187.68
LONDON			
FT Ord	1,221.5	1,233.7	958.0
FT-SE 100	1,529.9	1,540.4	1,286.6
FT-A All-share	757.6	764.23	620.07
FT-A 500	832.21	839.28	678.14
FT Gold mines	194.3	193.3	338.3
FT-A Long gilt	9.58	9.54	10.27
TOKYO			
Nikkei	17,422.36	17,353.48	12,421.1
Tokyo SE	1,426.40	1,417.84	1,005.33
AUSTRALIA			
All Ord.	1,150.5	1,139.6	931.8
Metals & Mins.	527.7	518.2	535.9
AUSTRIA			
Credit Aktien	234.05	233.91	180.61
BELGIUM			
Belgian SE	3,773.52	3,789.70	2,303.13
CANADA			
Toronto			
Metals & Minls	1,993.5	1,930.2	2,059
Composite	3,004.2	2,975.3	2,756.7
Montreal			
Portfolio	1,500.01	1,478.91	135.31
DENMARK			
SE	206.79	203.90	216.21
FRANCE			
CAC Gen	373.80	376.80	215.5
Ind. Tendance	142.50	143.80	79.6
WEST GERMANY			
FAZ-Aktien	627.50	628.49	474.75
Commerzbank	1,888.00	1,894.00	1,397.6
HONG KONG			
Hang Seng	1,920.18	1,887.83	1,698.66
ITALY			
Banca Comm.	747.36	736.04	365.61
NETHERLANDS			
ANP-CBS Gen	287.50	288.70	217.0
ANP-CBS Ind	287.30	288.30	187.1
NORWAY			
Oslo SE	337.59	338.35	341.54
SINGAPORE			
Straits Times	763.46	764.77	757.60
SOUTH AFRICA			
JSE Golds	–	1,465.9	856.0
JSE Industrials	–	1,260.1	922.5
SPAIN			
Madrid SE	183.10	185.49	81.58
SWEDEN			
J & P	2,526.74	2,506.41	1,365.45
SWITZERLAND			
Swiss Bank Ind	506.10	504.20	453.2
WORLD	Aug 6	Prev	Year ago
MS Capital Int'l	329.7	330.2	216.2

COMMODITIES

(London)	Aug 7	Prev
Silver (spot fixing)	350.50p	349.45p
Copper (cash)	£878.50	£881.00
Coffee (Sept)	£1,741.50	£1,703.00
Oil (Brent blend)	$13.60	$13.05

GOLD (per ounce)

	August 7	Prev
London	$362.50	$361.00
Zürich	$361.75	$362.55
Paris (fixing)	$362.07	$362.36
Luxembourg	$361.50	$361.15
New York (Dec)	$369.30	$368.10

CURRENCIES

	US DOLLAR		STERLING	
(London)	Aug 7	Previous	Aug 7	Previous
£	–	–	1.4765	1.4795
DM	2.0670	2.0815	3.0525	3.0800
Yen	153.75	154.35	227.00	228.25
FFr	6.7100	6.7650	9.9075	10.010
SFr	1.6660	1.6770	2.46	2.48
Guilder	2.3290	2.346	3.44	3.47
Lira	1,421.5	1,430.5	2,099	2,116.5
BFr	42.75	43.00	63.10	63.60
C$	1.3810	1.3820	2.0390	2.0450

INTEREST RATES

	Aug 7	Prev
Euro-currencies (3-month offered rate)		
£	10⅛	9 15/16
SFr	4⅝	4⅝
DM	4 11/16	4 11/16
FFr	7⅝	7 9/16
FT London Interbank fixing (offered rate)		
3-month US$	6⅛	6⅛
6-month US$	6⅛	6⅛
US Fed Funds	6 5/16*	6⅛
US 3-month CDs	6.15*	6.375
US 3-month T-bills	5.71*	5.87

US BONDS

Treasury	August 7* Price	Yield	Prev Price	Yield
6⅝ 1988	100 4/32	6.59	100 3/32	6.59
7¼ 1993	99 26/32	7.316	99 19/32	7.334
7¼ 1996	99 17/32	7.455	99 17/32	7.441
7¼ 2016	96 17/32	7.556	96 9/32	6.562

Source: Harris Trust Savings Bank

Treasury Index Maturity (years)	Aug 7* Return index	Day's change	Yield	Day's change
1–30	153.17	–0.17	7.35	+0.01
1–10	146.62	+0.03	7.07	+0.00
1– 3	138.04	+0.02	6.68	+0.00
3– 5	148.95	+0.02	7.24	+0.00
15–30	176.74	–0.89	8.29	+0.06

Source: Merrill Lynch

Corporate	August 7* Price	Yield	Prev Price	Yield
AT & T				
3⅞ July 1990	91⅞	6.50	91⅞	6.50
SCBT South Central				
10⅞ Jan 1993	106⅞	9.55	106⅞	9.55
Phibro-Sal				
8 April 1996	96.73	8.50	96.73	8.50
TRW				
8⅞ March 1996	100.95	8.60	100.95	8.60
Arco				
9⅞ March 2016	101⅞	9.68	101⅞	9.67
General Motors				
8⅞ April 2016	89⅞	9.11	90	9.10
Citicorp				
9⅞ March 2016	95⅞	9.82	95⅞	9.81

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	96-02	96-10	95-15	96-07
US Treasury Bills (IMM) $1m points of 100%				
Sept	94.39	94.41	94.37	94.40
Certificates of Deposit (IMM) $1m points of 100%				
Sept	n/a	n/a	n/a	93.89
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	93.53	93.53	93.49	93.54
20-year Notional Gilt £50,000 32nds of 100%				
Sept	119-24	119-30	119-15	120-06

* Latest available figures

TOKYO
Boost from telephone connection

STRONG DEMAND for issues closely connected with Nippon Telegraph and Telephone (NTT), which is scheduled to place its shares with the public in the autumn, took Tokyo ahead, *writes Shigeo Nishiwaki of Jiji Press.*

The NTT-related stocks finding favour were heavy industries, wire and cable and telecommunications equipment issues. The steel, shipbuilding, construction and real estate issues that had led the market until last July were out of favour.

The Nikkei stock average rose 119 points at one stage early in the afternoon session but closed 68.88 points up at 17,422.36 as the earlier surge was trimmed. Volume swelled unexpectedly to 878m shares from Wednesday's 693m. Losses outnumbered gains by 453 to 392, which 116 issues unchanged.

Large trading companies which are emerging as strong rivals to NTT as a result of the deregulation of communication business have also gained popularity among investors.

Prominent among the NTT-related issues were Toshiba and Mitsubishi Electric. Toshiba, the most actively traded stock of the day on 113m shares, gained Y27 to Y557. Mitsubishi Electric, ranked third with 60.47m shares, put on Y10 to Y464. Hitachi climbed Y26 to Y860.

Mitsubishi Rayon, a major optical fibre maker, rose Y41 to Y478. Nippon Sheet Glass added Y52 to Y800.

In the wire and cable sector, Fujikura advanced Y46 to Y790 and Furukawa Electric Y35 to Y576.

Riding high on the NTT-related enthusiasm, Mitsuboshi Belting gained Y290 to Y3,640, Iwatsu Electric Y120 to Y1,390 and Fujitsu Y37 to Y900.

Among the large trading houses seeking to expand into the field of telecommunications, Mitsui, ranked second on the active list with 63m shares, gained Y35 to Y575. C. Itoh rose Y42 to Y751, and Mitsubishi Corp climbed Y21 to Y953.

Large-capital issues, such as steels and shipbuildings, and domestic demand-oriented shares in construction, real estate, electric railways, electric power and gas lost ground on a wide front. Exceptionally, Mitsubishi Heavy Industries firmed Y17 to Y509.

The bond market strengthened as buying interest was stirred by the yen's rebound against the dollar and a levelling-off of the sharply increased crude oil price.

Aggressive buying by large securities houses sent the yield on the bellwether 6.2 per cent government bonds due in July 1995 down to 4.670 per cent from Wednesday's 4.710 per cent. Yields on bonds of similar maturities also dipped.

Institutional investors stayed on the sidelines, awaiting US bond price developments after the auction of 30-year government bonds.

SINGAPORE

A HESITANT MOOD prevailed in Singapore as investors awaited a speech by Prime Minister Lee Kuan Yew today – the eve of the country's independence day celebrations.

The Straits Times industrial index fell 1.31 to 763.46 on volume that dropped to 9.8m shares from Wednesday's 17.3m.

Some brokers expressed surprise that the market failed to react to a US embassy report forecasting that Singapore's economy could achieve growth of 3 to 5 per cent next year after a possible 1 per cent contraction this year.

Among actively traded issues, Cold Storage put on 2 cents to S$3.52, Haw Par 4 cents to S$2.99 and DBS 5 cents to S$7.10. Other gains were registered by Metro Holdings, up 9 cents to S$3.06, and Fraser and Neave, 5 cents ahead at S$7.70.

In the other direction, UOB shed 10 cents to S$3.90, National Iron 8 cents to S$4 and Singapore Airlines 5 cents to S$7.40.

EUROPE
Renewed hopes of lower rates

THE SOLE UNIFYING factor among the European bourses yesterday was the renewed expectations of lower interest rates. This buoyed some sessions while domestic factors in other bourses injected a lower note.

Milan rose sharply after a rally on hopes that the official discount rate would be cut and on expectations of positive first-half results.

The market index advanced by about 1.9 per cent, and most activity was seen in companies of the Montedison group after rumours of a merger.

Montedison rose L150 to L3,530, Mediobanca advanced L5,100 to L72,800, Generali Insurance ended L3,450 higher at L144,500 and Iniziativa, a holding company of the Montedison group, rallied to L27,000, up L1,050.

Stores group La Rinascente was one of the few issues to move against the trend, dropping L12 to L1,140.

Brussels continued its higher tone on optimism that a recent debt refinancing pact between the Government and Belgian banks could lead to lower interest rates.

Some profit-taking broke out among issues which had recorded strong gains in the record sessions earlier this week. Nervousness over the impact of the Opec accord detracted from oil issues, which had also performed well on Tuesday and Wednesday.

Belgium's largest oil company, Petrofina, slipped BFr 50 to BFr 8,840, and Cometra also fell, ending BFr 70 lower at BFr 2,830.

Utilities were mixed after Wednesday's healthy performance, and the largest in the sector, Intercom, ended steady at BFr 3,930, and Ebes rose BFr 40 to BFr 4,760 while Unerg lost BFr 30 to BFr 2,890.

Frankfurt turned higher after a flurry of buying late in the session. Thus, the Commerzbank index, which is recorded at midsession, failed to register the spree and ended 6 down at 1,888.0.

Investors brushed aside the lower dollar and concentrated instead on optimistic opinions about the domestic economy, such as strong GNP growth, and low inflation.

Banks, cars and retailers scored the most impressive gains. Karstadt jumped DM 20 to DM 409.50, Horten rose DM 8 to DM 214 and Kaufhof DM 5 to DM 490.

Deutsche Bank added DM 9.50 to DM 803, Dresdner DM 4 to DM 421, Daimler DM 12 to DM 1,178 and BMW DM 10 to DM 486.

Bonds were mixed with gains and losses of between 20 basis points. The Bundesbank sold DM 97.6m worth of domestic paper after selling DM 24.9m in the previous session.

Stockholm advanced as domestic interest rates slipped and oil prices began to stabilise. Volvo was one of the most active issues, rising SKr 4 to SKr 394.

Electrolux was steady at SKr 299, and Asea was also unchanged at SKr 375.

Amsterdam was subdued by the weaker dollar, and most issues eased.

Royal Dutch shed Fl 1.90 to Fl 189.60 after publishing second-quarter figures much in line with expectations. Unilever dropped Fl 2.50 to Fl 495.50, and Akzo eased Fl 1.40 to Fl 159.80 on meagre figures but Philips rose Fl 1.30 to Fl 48.80 on hopes of higher first-half profits.

Zurich was buoyed by general optimism over the projected inflation rate and the prospect of lower interest rates. Prices ended mostly steady after an active day of trading.

Consumer stocks found demand among the smaller institutions and individual investors. Jacobs Suchard bearer jumped SFr 210 to SFr 8,000, and Nestlé added SFr 100 to SFr 7,650.

Swissair, the most heavily traded issue, slipped SFr 25 to SFr 1,215 while retailer Jelmoli dropped SFr 20 to SFr 3,480.

Bonds ended slightly firmer as the turnover increased.

Paris faded throughout the session, discouraged by the weaker dollar and faster pace of French government borrowing.

Société Générale de Fonderie, which has experienced a series of declines over the past month, continued its downward spiral shedding 13.1 per cent of its value to FFr 16.50.

Oslo was dominated by oil price and production uncertainty, and prices dipped moderately throughout the session.

Madrid was led lower by a retreat in the utility sector.

LONDON

THE GLOOM deepened in London yesterday where buyers were almost nonexistent and share prices dived.

Unpalatable results from engineering groups GKN and TI Group left them 14p cheaper at 278p and 33p down at 463p, respectively, while profits which failed to match expectations from Barclays left the banking giant 20p lower at 455p.

Later in the session more encouraging reports from BOC, up 8p at 315p, failed to restore confidence, and the FT Ordinary share index ended down 12.2, after a fall of 22.8, at 1,221.5, while the FT-SE 100 lost 10.5 to 1,529.0.

Gilts started lower and fell even further. Longs eventually ended ½ down while later in the session some shorts and index-linked stocks registered gains stretching to one point.

Chief price changes, Page 25; Details, Page 24; Share information service, Pages 22–23.

AUSTRALIA

STRONG DEMAND for leading industrial and gold issues offset a generally weaker resources sector and allowed Sydney to continue its advance.

The All Ordinaries index added 10.9 to 1,150.5 in brisk trading, taking the rise since Monday to 30 points.

Blue-chip industrials were helped by the steadier dollar while development, insurance and media stocks were also in demand.

Lease Lend and Brambles each rose 30 cents to A$8.60 and A$6.50, respectively. News Corp put on A$1.80 to A$23, Fairfax 7 cents to A$4.72 and Herald and Weekly Times 2 cents to A$6.10.

Overseas demand supported banks, but oil issues eased back amid profit-taking.

HONG KONG
Peak hit on US textile bill failure

THE FAILURE of the US House of Representatives to revive a restrictive textile import bill provided a spur to Hong Kong trading that took shares to an all-time high.

The Hang Seng index rose 32.35 to 1,920.18, surpassing the previous high of 1,906.28 set on Monday amid heavy demand from overseas institutions and local investors.

The so-called Jenkins bill could have cut Hong Kong's textile exports to the US – which amounted to $3.2bn last year – by up to 30 per cent.

The Taiwan stock exchange also benefited from the demise of the Jenkins bill. The weighted index rose 10.18 to 889.73, recovering some of the 34.84 points it had lost in the first three sessions of the week.

Winsor Industrial, the only large textile maker listed on the exchange, rose 20 cents to HK$8.20.

The property sector was also buoyed by speculation of a cut in local interest rates, perhaps as early as this weekend.

Cheung Kong rose 60 cents to HK$24, Sun Hung Kai Properties 40 cents to HK$14.40 and New World Development 10 cents to HK$6.55. Hongkong Land put on 15 cents to HK$6.40 and Hongkong Wharf rose 10 cents to HK$7.75.

Leading industrial and trading companies were led forward by a sharp HK$1.25 rise to HK$33 for Hutchison Whampoa.

The banking sector showed only modest strength. Bank of East Asia rose 10 cents to HK$18.70, Hang Seng Bank 25 cents to HK$35.25 and its majority owner, Hongkong and Shanghai Banking, 5 cents to HK$7.05.

SOUTH AFRICA

AFTER RECORDING the largest one-day rise, Johannesburg yesterday saw golds turn higher as the financial rand continued at record lows and the bullion price held firm.

Randfontein added R12 to R354, Buffels gained R2.50 to R88.50, Driefontein advanced R1.50 to R58.50 and Bracken rose 35 cents to R7.40.

Some issues did fall back, however. Nedbank dropped 2 cents to R5.68, Sage Holdings lost 20 cents to R10 and Anglo American Coal shed R1.75 to R29.

CANADA

A RALLY continued in Toronto despite weakness in the oil sector.

Cadillac Fairview traded C$¾ higher at C$32 after news the previous day that Cadillac would solicit takeover offers.

Hiram Walker was steady at C$37⅛ while Gulf Canada, which holds a controlling stake in the drinks group, firmed C$¼ to C$14⅞.

Montreal also improved.